



**USAID** | **KOSOVO**  
NGA POPULLI AMERIKAN  
OD AMERIČKOG NARODA

# USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

## QUARTERLY REPORT FOR THE QUARTER ENDING DECEMBER 31, 2009

*USAID KOSOVO PRIVATE ENTERPRISE PROGRAM*

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## LIST OF ACRONYMS

<b>ABA-CEELI</b>	American Bar Association – Central European and Eurasian Law Institute
<b>ADI</b>	Association Development Index
<b>AEI</b>	Agency for European Integration
<b>AKA</b>	Alliance for Kosovo Agribusiness
<b>AKTA</b>	Association of Kosovo Tourist Agencies
<b>AUK</b>	American University in Kosovo
<b>BEE</b>	Business Enabling Environment
<b>AWPK</b>	Associations of Wood Processors in Kosovo
<b>B2B</b>	Business To Business
<b>Biz-CLIR</b>	Business Climate, Legal and Institutional Reform
<b>BSP</b>	Business Service Providers
<b>BSS</b>	Business Support Services
<b>CAGR</b>	Compound Annual Growth Rate
<b>CCMI</b>	Center for Communications Management Information
<b>CEFTA</b>	Central European Free Trade Agreement
<b>CEE</b>	Central and Eastern Europe
<b>CMT</b>	Cut-Make-Trim
<b>CMC</b>	Certified Management Consultant
<b>CoC</b>	Chain of Custody
<b>CRM</b>	Customer Relations Management
<b>ccTLD</b>	country code Top Level Domain
<b>CV</b>	Curriculum Vitae
<b>DAG</b>	Donor Assistance Group
<b>DCED</b>	Donor Committee for Enterprise Development
<b>DFID</b>	Department for International Development
<b>EAR</b>	European Agency for Reconstruction
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECIKS</b>	Economic Initiative for Kosovo
<b>EE</b>	Energy Efficiency
<b>EGAT</b>	Economic Growth and Trade
<b>EU</b>	European Union
<b>EULEX</b>	European Union Rule of Law Mission in Kosovo
<b>EU NACE</b>	European Union - Nomenclature Œconomiques Communauts Europennes
<b>EC</b>	European Commission
<b>EN</b>	European Norm
<b>EUA</b>	European Confederation of Manufacturers
<b>ERO</b>	Energy Regulatory Office
<b>ERP</b>	Enterprise Resource Planning
<b>FAO</b>	Food and Agriculture Organization
<b>FDI</b>	Foreign Direct Investment
<b>FSC</b>	Forest Stewardship Council
<b>FYROM</b>	Former Yugoslavia Republic of Macedonia
<b>GAP</b>	Good Agriculture Practice
<b>GAP</b>	Gap Analysis Program

<b>GDA</b>	Global Development Alliance
<b>GDP</b>	Gross Domestic Product
<b>GE</b>	Gorenje Elektromotori
<b>GoK</b>	Government of Kosovo
<b>GTZ</b>	German Society for Technical Cooperation
<b>HACCP</b>	Hazard Analysis Critical Control Point
<b>HR</b>	Human Resources
<b>IANA</b>	Internet Assigned Numbers Authority
<b>IATA</b>	International Air Transport Association
<b>ICANN</b>	Internet Corporation for Assigned Names and Numbers
<b>ICT</b>	Information and Communication Technology
<b>ICO</b>	International Civilian Office
<b>IDC</b>	International Data Corporation
<b>ISO</b>	International Organization for Standardization
<b>IPAK</b>	Investment Promotion Agency of Kosovo
<b>IT</b>	Information Technology
<b>ITC</b>	International Trade Centre
<b>IPR</b>	Intellectual Property Rights
<b>IEP</b>	Internet Exchange Point
<b>KAA</b>	Kosovo Associate of Architects
<b>KASP</b>	Kosovo Association of Concrete Producers
<b>KCBS</b>	Kosovo Cluster Business Support
<b>KFVA</b>	Kosovo Food and Veterinary Agency
<b>KOTAS</b>	Kosovo Tourist Association
<b>KPA</b>	Kosovo Premier Advisor
<b>KPEP</b>	Kosovo Private Enterprise Program
<b>KSA</b>	Kosovo Standards Agency
<b>KEK</b>	Kosovo Energy Corporation
<b>MAFRD</b>	Ministry of Agriculture, Forestry and Rural Development
<b>MEA</b>	Middle East and Africa
<b>MEF</b>	Ministry of Economy and Finance
<b>MEM</b>	Ministry of Energy and Mining
<b>MESP</b>	Ministry of Environment and Spatial Planning
<b>MFA</b>	Ministry of Foreign Affairs
<b>MTC</b>	Ministry of Transport and Communications
<b>MTI</b>	Ministry of Trade and Industry
<b>MIS</b>	Management Information Systems
<b>MPA</b>	Metal Producers Association
<b>MoU</b>	Memorandum of Understanding
<b>NAAC</b>	National Albanian American Council
<b>NAHETS</b>	National Association of Heavy Equipment Training Schools
<b>NGO</b>	Non-Governmental Organization
<b>NRM</b>	Natural Resource Management
<b>OECD</b>	Organization for Economic Co-Operation Development
<b>OJT</b>	On-the-Job Training
<b>PBMS</b>	Performance Based Management System
<b>PET</b>	Poly Ethylene Therephthalate
<b>PETCORE</b>	Polyethylene Terephthalate Container Recycling Europe

<b>PMI</b>	Project Management Institute
<b>PMP</b>	Project Management Professional
<b>PMO</b>	Prime Minister's Office
<b>PMU</b>	Project Management Unit
<b>PPP</b>	Public-Private Partnership
<b>PSD</b>	Private Sector Development
<b>PTK</b>	Post and Telecommunication in Kosovo
<b>RCAK</b>	Road Construction Association of Kosovo
<b>RE</b>	Renewable Energy
<b>RFA</b>	Request for Application
<b>ROI</b>	Return on Investment
<b>SAF</b>	Strategic Activities Fund
<b>SDG</b>	Standards Development Group
<b>SOE</b>	Socially-Owned Enterprises
<b>SWOT</b>	Strengths, Weaknesses, Opportunities, Threats
<b>SIDA</b>	Swedish International Development Agency
<b>SME</b>	Small and Medium Enterprise
<b>SMME</b>	Small, Medium, and Micro Enterprise
<b>STTA</b>	Short-Term Technical Assistance
<b>TAK</b>	Tax Administration of Kosovo
<b>TAM/BAS</b>	Turn Around Management / Business Advisory Service
<b>TBD</b>	To be determined
<b>TPA</b>	Tons per annum
<b>TRA</b>	Telecommunications Regulatory Authority
<b>UBO</b>	UBO Consulting
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program
<b>UNMIK</b>	United Nations Interim Administration Mission in Kosovo
<b>UNWTO</b>	United Nations World Tourism Organization
<b>USA</b>	United States of America
<b>USAID</b>	United States Agency for International Development
<b>USG</b>	United States Government
<b>VAT</b>	Valued added tax
<b>VEC</b>	Vocational Education Center
<b>VTC</b>	Vocational Training Center
<b>YES</b>	Youth Employment Service

## **EXECUTIVE SUMMARY**

During the first quarter of fiscal year 2010, KPEP achieved significant growth in sales, full time jobs, investment, and exports. While during the entire FY 2009, KPEP reported €13.4 million in sales, during the first quarter of this year, sales increased by €18.8 million, thus the total cumulative increase in sales to date is at €32.2 million. KPEP-assisted companies added 468 full time equivalent (FTE) jobs. While this is still below the Year 2 target increase of 2,018 FTE jobs, it stands in positive contrast to the 40 percent unemployment persistent in the Kosovo economy and negative job growth in the region. Investment growth to date is €9.8 million exceeding the Year 2 target of €8 million; during this quarter total investments were €264,000. KPEP client companies also achieved an increase in cumulative exports of €15.9 million. We have again provided a series of contextual indicators in the PBMS section to show how KPEP has performed compared to Kosovo as a country, countries in the region, the EU and OECD nations, and the world in general.

KPEP is a large and complex project. We are providing assistance in nine sectors, divided in to transformational, transactional, and informational. These terms denote the level and type of support that we will provide. Transformational sectors are those where we seek to make improvements across the entire value chain. For transactional sectors we look for discrete activities that will generate short term return on investment. Informational sectors, as the name implies, are sectors that we will track and monitor but not actively support at this time. In addition, we work to strengthen the competitiveness of Kosovo's economy through improvements to the business enabling environment, business support services, and workforce development.

To manage and monitor the program we have created a series of 44 discrete objectives supported by approximately 140 separate activities. We have articulated a set of anticipated results for each objective and then ranked progress in achieving these results using a color code, green satisfactory or better, yellow denoting issues or concerns, red for serious problems, and blue if we have dropped the objective. In this report we rank 28 out of 44 objectives green, fifteen yellow, none red, and one blue.

Agriculture continues to be a strong performing sector with seven out of eight objectives ranked satisfactory or better. Only the objective on dairy policy is ranked yellow due to inertia and resistance on the part of government in implementing recommended reforms. The Agricultural sector has increased sales by over €4 million and exports by €4.9 million over the life of project. Achievements with respect to jobs and investment have been more modest.

Construction continues to lead all sectors in terms of contributions to sales, investment, jobs, and exports, even while serious impediments inhibit progress in making needed structural reforms in the sector. For this reason four out of five objectives are ranked as yellow and only one green. We have hired an additional STTA to assist with road construction and added another full time CCN construction specialist to address these issues.

Forestry and Wood Products ranks third among all sectors in growth of sales, investment, and exports. Job growth has been more modest, producing only 14 net new jobs over the LOP. In forestry good progress is being made with respect to forestry certification while progress in combating illegal logging and efforts to improve government leasing and tendering practices are stalled. A study on the use of wood waste as a fuel (biomass) is on track to be completed

next quarter. Two of four objectives are shown as green and two as yellow. With respect to wood products progress has been quite good and we believe this sector is poised for significant growth in the near future. All three objectives, developing new markets and new products, improving production practices and techniques, and strengthening the association are ranked as green.

ICT is a relatively new and immature industry sector in Kosovo. As a transformational sector KPEP is devoting significant resources to foundational activities laying the ground work for future growth. Unsurprisingly, results are still modest. ICT ranks either fifth or sixth among all sectors in terms of generation sales, jobs, investment, and exports. Progress in three objectives is rated satisfactory or better while efforts to improve the legal and regulatory environment are shown as yellow denoting delays in establishing an Internet Exchange Point and registering the .ks top level domain name.

Tourism showed impressive growth numbers, 273% growth in sales and 190% growth in employment, but from a very small base. Progress against all three objectives in this sector is satisfactory or better.

Recycling made negligible contributions to increased sales, investment, exports, and job growth. While the KPEP commissioned feasibility study was completed, the scenarios suggested by it are mostly outside of KPEP's ability to implement. We will share the recommendations with USAID and other donors. KPEP will pursue smaller and more narrowly defined initiatives. Both objectives in this sector are ranked as yellow.

Energy efficiency was upgraded from informational to transactional at the end of year one. There is no legislation in place that requires the production of energy efficient materials. As a result, there is little incentive to produce or buy them, since the costs are currently above standard products. At the beginning of the quarter, KPEP conducted an in-house analysis of the energy efficiency sector in Kosovo. Our findings indicate the best course to pursue is to concentrate efforts on energy efficient building materials, including windows and doors. Progress is slower than anticipated and the one objective in this sector is ranked as yellow.

In Business Support Services we have chosen to deemphasize work with the local consulting industry and focus more effort on association building. Business service providers were ranked a surprising third among all sector and components in terms of job creation. Two of three objectives are green while efforts to build the capacity of the consulting and commercial legal profession are regarded as progressing slower than desired.

The Business Enabling Environment component has done an excellent job of providing targeted support to selected sectors and satisfactory in supporting improvements in competitiveness indicators. Progress in promoting foreign direct investment and reducing trade barriers is less than satisfactory. Two of four objectives are green and two are yellow.

Excellent progress has been achieved in workforce development. Workforce initiatives have been closely integrated into all KPEP sectors. Training programs are being institutionalized within local institutions and we are undertaking skills gap analysis studies in key sectors. A series of successful internship programs have been launched and a feasibility study for youth centers showed to be a promising approach with a great deal of local support. Finally an entrepreneurial training program was launched in conjunction with the Embassy of the Netherlands and the first class will graduate next quarter. Progress against all four objectives is regarded as excellent.

## Overarching KPEP Objective

The overarching objective of the Kosovo Private Enterprise Program is to stimulate the private sector and increase the competitiveness of Kosovo's economy. The integrated nature of the project, which consists of four components, blends work to improve the competitiveness of selected sectors with initiatives in business support services, workforce development, and business enabling environment. This approach has proven to be particularly effective. Our objectives are most often achieved through an interrelated set of activities across multiple components. The design of the project explicitly recognizes the complex web of factors that define the competitiveness of a nation. But while progress is being achieved, the barriers to creating a prosperous market based economy are enormous. We strongly believe that a critical first step is to undertake measures to improve awareness and understanding on the part of key decision makers in government, the private sector, and civil society of the essential building blocks, or pillars, of a competitive market economy.

### Objective 1: Launch a national dialog on competitiveness



Anticipated Results	
In the near term, we would expect increased awareness and understanding of the concept of national competitiveness and the relevance to Kosovo's economic future on the part of conference participants and the general public. In the longer term, key stakeholders in Kosovo would come together to develop and implement an action plan designed to improve economic competitiveness. The ultimate goal is a more competitive economy and higher economic growth.	
Activities	Status
1. High level conference on the competitiveness of Kosovo as a nation	1. Ongoing
2. Establishment of a national working group on competitiveness	2. Ongoing
1 <sup>st</sup> Quarter Progress	
This is a new objective only introduced for the first time in the year Two Work Plan. Progress has been poor. Repeated attempts have been made with senior contacts within government, particularly within the Prime Minister's Office, to discuss the merits of launching a dialog on national competitiveness.	
It was hoped that the extremely poor showing on the World Bank Doing Business Report would serve as a catalyst for action. 2010 was the first year that Kosovo was ranked and the overall ranking is a disappointing 113 out of 183 countries and a perceived downward trend line from 2009.	
KPEP prepared a concept paper which proposed a facilitated meeting to include high level government decision makers concerned with economic policy. The meeting would allow senior officials to better understand the ten chapters of the World Bank Doing Business report and the methodology used to arrive at specific rankings. It will also allow for discussion of the specific issues that have caused Kosovo to be ranked so low in	



some areas, most noticeable: starting a business, construction permits, protecting investors, trading across borders, and enforcing contracts. It would also be useful to understand how other governments have organized themselves to deal with complex and cross cutting issues of economic policy.

While individuals express interest and support there has been no concrete movement forward. Further, there seems to be little time and attention going into addressing systemic issues that inhibit the ability of the private sector to grow and thrive. Going forward we will continue and broaden our discussion within government and seek the assistance of other voices in the USG and other donors.

## I. COMPONENT 1: INCREASED COMPETITIVENESS OF KEY SECTORS

### A. TRANSFORMATIONAL SECTORS

#### 1. SECTOR: AGRICULTURE

*Sector strategy:* The overall strategy for the agriculture sector is to improve Kosovo's market position in fruits and vegetables, dairy, and non-wood forest products. Responding to end market demands will drive the sector value chains. This is consistent with the Ministry of Agriculture, Forestry, and Rural Development's strategic plan of 2009 – 2013 with the general objectives of:

- Improved competitiveness and efficiency of primary agricultural production in order to achieve import substitution and take advantage of export markets
- Improved processing and marketing of agricultural produce through increased efficiency and competitiveness
- Improved factory quality and hygiene standards

#### ■ Success Stories ■

At the request of four dairy companies - Kabi, Eurozona, Golaj and Rona - eight dairy technologists and a private local dairy consultant received practical training by Dragi Mihajlov, an experienced regional dairy technologist, on a technological process to develop a new type white cheese. This process involves proper pasteurization, separation, cheese maturation, and packaging practices. The four dairy plants have now developed a new white cheese of higher quality, which requires a lower milk/cheese conversion ratio. Increased efficiency in cheese production thanks to trained technologists and new technologies means that milk producers from the neighboring villages will find it easier now to sell their surplus of raw milk to these dairy plants.

During Year 1, KPEP worked successfully to remove value chain constraints in specific agriculture sub-sectors to make agriculture products from Kosovo more competitive in local, regional and international markets. The vegetable sub-sector is a strong performer in the agricultural economy with a wide variety of peppers produced for fresh and processed markets. While pepper exports were zero in 2008, KPEP facilitated the export of 2,500 tons of processing peppers to Macedonia and Albania by identifying buyers, organizing producers, engaging local agronomists to monitor production and quality control, and reinforcing supply chain relationships. The non-wood forest product sub-sector also experienced an increase in the value of sales and exports through the assistance of KPEP.

Although the global dairy sector had a difficult year due to a worldwide surplus of milk, and depressed prices and sales, Kosovo experienced positive gains in domestic market share. One company modified their yogurt formulation and packaging and increased their yogurt sales by 25 percent. They also expanded their yogurt sales by partnering with a major retail chain to produce a store brand.

The agricultural strategy for Year 2 will be to continue to identify and remove constraints along the sector value chains. The biggest challenges that agriculture value chains face include meeting domestic and export market standards terms of quality and reducing transaction costs to become price competitive. Improving product quality and variety and with proper handling and storage in collection centers can remove these constraints and open up new markets, driving the commercialization of Kosovo's agricultural sector.

Of particular importance in the KPEP Year 2 strategy will be to build a market identity for Kosovo as a reliable supplier to high value markets. Currently, Kosovo operates in the regional spot market. Spot markets are when a buyer simply needs a supplier to fill an order, rather than choosing a supplier based on high a high quality product. KPEP seeks to build Kosovo's reputation as a place with high quality products and reliable services. KPEP will

build a new market identity by developing a communications program to brand Kosovo's agricultural sector, particularly fruits and vegetables and non-wood forest products, and improving the agricultural infrastructure in order to assure that Kosovo can be competitive in price and product.



*Picture 1: New Yogurt Brand Piti*



*Picture 2: First bags of peppers for exports to Macedonia*



*Pictures 3: Advisor teaches local cheesemakers*

## 1.1. SUB-SECTOR: DAIRY

**Sub-Sector Strategy:** The progress in the dairy sub-sector has been positive. KPEP introduced new white cheese formulations to three dairy processors helping the processors make higher quality cheese at a lower cost, therefore reducing the production costs by approximately €12,000 per year. The training on innovative production techniques in white cheese production is expected to increase revenues by €150 per day for at least three dairy processing plants. KPEP also launched two work force development related initiatives that also contributed to the performance of the dairy sector, the student internship program in raw milk quality and the dairy technology short course. In addition, as the Kosovo Food and Veterinary Agency laboratory becomes operational, KPEP will provide training to the raw milk quality laboratory technicians to improve management and technical skills. This will likely take place at one of the new member EU state facility, such as Lithuania. Building on the successes of the first year, the key focus of the strategy will remain – to improve the product quality while addressing other initiatives such as improving marketing and sales, strengthening business to business relations, and improving packaging.

A new objective in Year 2 will be to provide dairy policy development support to the Ministry of Agriculture, Forestry and Rural Development (MAFRD). A number of factors currently have a negative impact on the domestic dairy industry: there is a glut of dairy products regionally, neighboring countries provide subsidies to dairy producers which can result in a price advantage of approximately 15 Euro cents a liter, products near their expiration date are dumped into the market at very low prices, and dairy products enter the country without adequate labeling so consumers are not always getting what they expect. Together these issues have a significant negative impact on the local dairy industry. In Year 1, KPEP assisted MAFRD to document and analyze these issues and explore various policy responses that could be undertaken that would be fully consistent with obligations under the Central European Free Trade Agreement (CEFTA) and the World Trade Organization (WTO) principles. In Year 2, KPEP will assist the Ministry to formulate, adopt, and implement a set of policy measures to level the playing field and improve the competitive position of local producers.



### Objective 1: Improve product quality

Anticipated Results	
The intermediate result is a substantial improvement in raw milk quality. In the long run, KPEP expects that local producers will gain 70 percent of the domestic market share by 2013, which is consistent with the goals of MAFRD. Significant job growth is unlikely, but rural incomes will increase as more dairy farms become commercial enterprises.	
Activities	Status
1. Support dairy internship program	1. Ongoing
2. Initiate Support a study tour to Lithuania for Kosovo Food and Veterinary Agency (KFVA) dairy internship program (University of Pristina)	2. Ongoing
3. Conduct dairy technology short course	3. Completed
1 <sup>st</sup> Quarter Progress	
<p><b>Progress in this objective area is satisfactory.</b></p> <p><b>1. Support Dairy Internship Program</b> Clearly the student internship with the University of Prishtina's Veterinary Faculty was a success in terms of improving raw milk quality. 86 percent of dairy farmers participating with at least three test results showed improvement in either somatic cell count or total bacteria count decline and in many cases both of these quality indicators improved. The 10 students performed so admirably that they will be engaged in the next student internship, scheduled for January 2010, as mentors to the new class of interns.</p> <p><b>2. Study Tour to Lithuania for KFVA</b> KPEP is working with World Learning to organize such a study trip in Q2 or Q3.</p> <p><b>3. Conduct Dairy Technology Short Course</b> The second dairy technology short course was well attended and the feedback is extremely positive. This short course focused upon soft white cheese production. Four dairy companies participated in the short course and saw projected incomes increase ranging from €43,000 to €100,000. Most of the increases came in a higher yield of cheese from milk. One of the key elements of the short course is building the culture of quality at dairy processing firms. The consultant was also asked by one dairy processor to evaluate a product, peppers and sour cream. The product had a shelf life of 4 days, but with some modification to the process, the shelf life was extended to 21 days and flavor was improved.</p> <p>Data to measure progress against increasing domestic producers overall market share will be assessed in the next quarterly when 2009 data is available from Customs.</p>	



## **Objective 2: Improve product marketing and strengthen business to business relations**

Anticipated Results
By the end of year two, KPEP anticipates that local producers will gain 45 percent of the domestic market share, up from 35 percent at the beginning of the KPEP project, and increase investment and exports of key products to Albania. In the long run, KPEP anticipates that

local producers will gain 70 percent of the domestic market share and increase investment. Jobs growth is unlikely, but the rural incomes will increase as more dairy farms become commercial enterprises.

Activities	Status
1. Promote Consumption of Dairy Products	1. Ongoing
2. Strengthen relationship between dairy processors and local retail chains	2. Ongoing

#### 1<sup>st</sup> Quarter Progress

**Progress under this objective is satisfactory.**

#### 1. Promote Consumption of Dairy Products

This objective is designed to occur prior to and coinciding with the seasonal surplus of milk to create a spike in consumption and to competitively position Kosovo dairy products in the long term. From mid-May into early July Kosovo experiences seasonal surplus so we will time our activities to coincide with Quarter 2.

Vita milk continues to export to Albania, a market linkage which KPEP was instrumental in facilitating. The level of export to date is 200,000 liters of UHT milk, valued at € 127,300.

#### 2. Strengthen relationship between dairy processors and local retail chains

In addition to helping ETC launch the ETC yogurt private label produced by Bylmeti, KPEP has also encouraged ETC to develop a private label Piti. During Q1, KPEP staff facilitated an initial meeting between ETC and dairy processor, Magic Ice which resulted in an agreement and initial order of 10 MT of soft white cheese to be sold under the name, Piti.



### Objective 3: Improve packaging

#### Anticipated Results

Improved packaging will result in lower product cost and more competitive dairy industry and greater use of local packaging and related services such as design and labeling. In the long term, Kosovo becomes a player in the regional market in the packaging manufacturing industry.

Activities	Status
1. Improve packaging	1. Dropped
2. Develop local packaging industry	2. Dropped

#### 1<sup>st</sup> Quarter Progress

**This objective may be dropped from the work plan.**

Lead companies in the dairy value chain, Bylmeti and Magic Ice, have competitive packaging. KPEP has not been able to generate a significant response from other companies to improve packaging because in part they serve a lower end market that does not provide sufficient returns to packaging improvements beyond what the market will bear.

Food grade packing, particularly dairy, requires a significant investment. The wood flooring company, Korenica, invested in plastic extruder equipment and KPEP linked them with dairy processors to explore the possibility of producing food grade plastic tubs for soft white

cheese and yogurt cups. The potential is limited due to the cost and consumer preference for vacuum packaging for cheese, but the yogurt cup application will continued to be explored.



#### Objective 4: Support Dairy Policy Development

Anticipated Results	
MAFRD has a better understanding of the impact of subsidies and trade practices of neighboring countries on the domestic dairy industry. There is an improved capacity to formulate and implement a dairy policy that is fully consistent with existing trade agreements and WTO standards. In the long term the dairy industry in Kosovo will compete with regional players on a level playing field leading to increased domestic sales and exports.	
Activities	Status
1. Assist MAFRD and key stakeholder to formulate a national dairy policy	1. Ongoing
2. Assistance to implement dairy policy	2. Ongoing
1 <sup>st</sup> Quarter Progress	
<b>Progress under this objective has been slower than expected.</b>	
In Year 1, KPEP provided MAFRD with two policy initiatives. One policy paper was to adopt dairy product specifications, a basic regulation. The other paper was to determine policy options to address government subsidized imports on the Kosovo market, which may present unfair competition. The latter paper was presented to a dairy working group which reached a consensus that the MAFRD should consider a policy of adding a charge to imported dairy product to offset the subsidy. The working group also reached a consensus that the two dairy associations work closely with KPEP to determine subsidy impact. The policy papers are of high quality but progress is slowed by the lack of a champion within the associations and government.	

## 1.2. SUB-SECTOR: VEGETABLES

**Sub-Sector Strategy:** In Year 1, KPEP focused on increasing exports of peppers and potatoes and introducing new pepper varieties. Progress has been excellent. By introducing new pepper varieties, KPEP expects that the pepper farms will increase yields from 40 tons per hectare to 120 tons per hectare. Export promotion efforts have been successful as well. By establishing business linkages with Macedonia and Albania, KPEP helped local producers fill order contracts for 2,000 tons of peppers.

KPEP will capitalize on the success of the first year results and expand this sub-sector to include other vegetables and fruits, such as watermelon, white beans, and cabbage. Additionally, KPEP will conduct an analysis of the fruit juice value chain and continue promoting the development of vegetable collection centers. The ultimate goal for this sub-sector is to establish Kosovo as a reliable supplier of high quality product in the domestic and export markets.



### Objective 1: Expand domestic market share and penetrate new export markets

Anticipated Results	
Kosovo becomes a reliable supplier of high quality products, rural income and sales increase, investment in processing and infrastructure increases as well. Jobs will increase in non-farm employment such as handling and distribution, processing, and business support services.	
Activities	Status
1. Develop and execute a communications strategy for the promotion of Kosovo produced fruits and vegetables	1. Completed development stage
2. Facilitate regional “sales calls” targeting Macedonia, Albania, and Montenegro	2. Ongoing
3. Attend regional trade shows: Plovdiv, Novi Sad, Tirana	3. Ongoing
4. Fruit and vegetable outlook and B2B conference	4. Ongoing
1 <sup>st</sup> Quarter Progress	
<p><b>Progress under this objective has been excellent.</b></p> <p><b>1. Develop and execute a communications strategy for the promotion of Kosovo produced fruits and vegetables</b> Leveraging Year 1 success in which KPEP facilitated over 2,000 MT of pepper exports Year 2 will accelerate that development. The vegetable communication strategy has been completed and the initial sales sheets were developed for two pepper varieties, kurtovska and somborka. These sales sheets will be used during the attendance to trade shows, such as Fruit Logistica in February.</p> <p><b>2. Facilitate regional “sales calls” targeting Macedonia, Albania, and Montenegro</b> KPEP specialists and clients have made several sales trips around the region, and will</p>	



continue to do so.

### 3. Attend regional trade shows: Plovdiv, Novi Sad, Tirana

In this quarter, KPEP sponsored a number of clients to attend a trade show in Turkey. This visit was highly successful and led to a number of business contacts, which we expect will be fulfilled in the coming quarters.

### 4. Fruit and vegetable outlook and B2B conference

InterCooperation and KPEP are working together to increase domestic market share of fresh fruit and vegetables and have conducted two retailer / trader round tables. As a result roundtables, the retailers and traders agreed upon and adopted standards for tomatoes, peppers, and apples. The standards, which are based upon EU standards, are not compulsory but they are an important part of understanding end market requirements. KPEP is working closely with a member of the diaspora community who is pursuing the investment of a pepper processing facility in Krusha e Madhe and contracting with local farmers to meet an export order of 400 MT of fresh peppers to Switzerland in 2010.



## Objective 2: Develop vegetable infrastructure through collection centers

### Anticipated Results

Infrastructure improvements are critical to increase the efficiency of the Kosovo vegetable supply chain and help Kosovo become a competitive supplier. We anticipate that in Year 2, KPEP will help establish one or more new facilities where vegetables will be sorted, cleaned, and packed. Accomplishing this will add 2-cents per kilogram to the price of vegetables and improve the position of Kosovo as a quality supplier. The long term impact will lead to increases in jobs, sales, investment and rural incomes.

Activities	Status
1. Promote the development of fruit and vegetable collection centers	1. Ongoing

### 1<sup>st</sup> Quarter Progress

**The objective is moving forward but the investment requires significant capital and the management of a collection center requires a strong ability to manage relationships .**

KPEP assisted one firm to take the initial steps to develop a vegetable collection center in Krusha. KPEP helped develop a floor plan for the facility and made HACCP recommendations. KPEP also participated in the InterCooperation feasibility study for a vegetable collection facility for the Mamushe Association, which may be funded by the Turkish Development Agency. The trader / retailer roundtable group has asked about the feasibility of a collection center / wholesale market in Xerxe. KPEP is also working with retailers who could be key investors in vegetable collection center development.

A sorting, cleaning and packing facility is the likely model and seems to be favored by potential investors. Pre-cooling and refrigeration facilities require significant additional investment and will develop if the first steps are successful.



## Objective 3: Improve vegetable production, collection, and processing

### Anticipated Results



Higher yield, increased net income per hectare, and lower transaction costs. In the long term, increased sales and investment.

Activities	Status
1. New variety trials	1. Ongoing
2. New technology demonstrations	2. Ongoing
3. Expand the use of local consultants to monitor production and quality	3. Ongoing
4. Assist lead firms and farmers to obtain HACCP and organic certification	4. Ongoing

#### 1st Quarter Progress

**Although the reporting quarter is out of season for the activities, there has been good progress in advancing this objective.**

#### **1. New variety trials**

KPEP and InterCooperation (Swiss funded) have developed a shared strategy for increasing production of the vegetable value chain. KPEP and InterCooperation agreed to co-sponsor variety trials for peppers, tomatoes, and cabbage. The variety trials will also include new technology demonstrations such as drip irrigation, plant grafting and pepper plant pruning.

#### **2. New technology demonstrations**

A delegation of agronomists and association members attended the GroTech Fair in Anatolia and visited the Yuksel Tohumculuk, a vegetable seed production facility, and Enerji Institute to view new technology applications. One immediate result was the order of €50,000 of new pepper and tomato seeds, new varieties made by Yaprak of Mamushe.

#### **3. Expand the use of local consultants to monitor production and quality**

InterCooperation has trained 25 agronomists to be private consultants. During the production season InterCooperation and KPEP will make these consultants available to producer organizations on a cost share basis.

#### **4. Assist lead firms and farmers to obtain HACCP and organic certification**

KPEP will help a vegetable processing facility meet HACCP standards by engaging local consultants to help ready the company for the audit. KPEP will also work with and internationally recognized company that can conduct organic certifications recognized in the EU and the US.

### 1.3. SUB-SECTOR: NON-WOOD FOREST PRODUCTS

**Sub-sector Strategy:** The non-wood forest product (NWFP) sub-sector has not yet approached its potential to generate economic growth. Estimates for potential market expansion are €16 million by 2012. NWFP's is a traditional sector which needs to adopt modern production and management practices. Much of the potential growth is related to identifying new markets and establishing Kosovo as a reliable supplier of quality products. In Year 1, the market signaled that there is demand for NWFP products that are organic and HACCP certified. The KPEP Year 2 strategy for NWFP is to add value in the supply chain through improved harvesting techniques, collection center development to reduce transaction costs, organic and HACCP certification, and the cultivation of wild varieties to meet growing demand.

Wild blueberries are a core product of the NWFP. In Year 2, KPEP will work with lead firms to shift production from frozen blueberries, which accounts for 95 percent of Kosovo's blueberry market, to the production and manufacturing of fresh blueberries to gain 20 percent of that market which is a higher value market. This represents a major new development in the blueberry value chain and will require understanding the end market and developing new production systems and market channels.



#### Objective 1: Penetrate new markets

Anticipated Results	
Progress has been made in developing new market channels and entering new markets. In Year 2, KPEP will extend these activities which will result in more buyer / seller contacts, producers participating in a minimum of 3 trade shows, more professional marketing programs at the firm level, and greater direct marketing.	
The success of Kosovo's performance in this area could have a transformational impact upon rural communities where NWFP collection could extend from February into December.	
Activities	Status
1. Attend Trade Shows in Europe and the US	1. Ongoing
2. Provide marketing assistance and market research to the lead firms	2. Ongoing
1st Quarter Progress	
<b>The objective is on target.</b>	
This is an objective that is estimated to reach sales of €16 million by 2012. The aggregate sector of non-wood forest products reached €7.5 during the last harvest and marketing season.	
<b>1. Attend Trade Shows in Europe and the US</b>	
The most promising trade shows have been identified and preparations to attend are ongoing. As the organic market is a key to the KPEP strategy for this sector, BioFach in Germany has been targeted and KPEP will support four firms to attend as visitors this year.	

KPEP will also collaborate with USAID Agribusiness Albania for a joint exhibition of Albanian and Kosovo products at the New York Fancy Food Show. Up to four companies from each project will attend and exhibit.

## **2. Provide marketing assistance and market research to the lead firms**

One lead firm is being assisted to develop a positioning and communication strategy for 25 non-wood forest products to be sold in small portion packaging. The trade show activity will be conducted in the next two quarters.



## **Objective 2: Develop new management and production practices**

### **Anticipated Results**

Three firms will acquire HACCP certification and four firms will enter the HACCP certification process. Two firms will acquire organic certification. KPEP will establish at least two blueberry cultivation plots and seven value adding collection centers in strategic locations to reduce transaction costs. The long term impact will be access to new markets where Kosovo will be viewed as a reliable supplier of high quality NWFP.

<b>Activities</b>	<b>Status</b>
1. Provide assistance to establish HACCP and organic certification	1. Ongoing
2. Field demonstrations for cultivation of NWFP	2. Ongoing
3. Facilitate the development of value chain efficiencies in collection management and satellite collection centers	3. Ongoing
4. Conduct the annual wild blueberry conference	4. Ongoing

### **1st Quarter Progress**

**Progress on this objective is on target.**

## **1. Provide assistance to establish HACCP and organic certification**

In this quarter, KPEP developed materials for training collectors on Good Wild Collection Practices. Next quarter, the team will begin training of 500 collectors of wild products. KPEP will also provide technical assistance for HACCP readiness designed to help get at least three more certified. This quarter, two companies received their organic certification and one additional company engaged in this process and expects certification in 2010.

## **2. Field demonstrations for cultivation of NWFP**

Two associations of berry producers have expressed interest in cultivating high bush blueberries. KPEP has identified the locations for field trials and the soil and climate analysis is ongoing.

## **3. Facilitate the development of value chain efficiencies in collection management and satellite collection centers**

An RFA for the establishment of satellite collection centers for NWFP has been released. We

are expecting at least 10 responses this quarter, and will make award in Q2. The centers will reduce costs and increase quality.

#### 4. Conduct the annual wild blueberry conference

The second iteration of this event, which KPEP plans to organize annually, is planned for Q3.

## 2. SECTOR: CONSTRUCTION

**Sector Strategy:** Building on our experience in the first year of the project, KPEP will continue working with two sub-sectors: road construction and construction materials. The construction sector, as anticipated, presents a great target of opportunity to generate growth, jobs and exports. KPEP provided technical assistance to its clients by establishing business linkages, sharing of information on business opportunities, and providing information regarding equipment and machinery suppliers. Thirteen KPEP-assisted clients increased sales by 80 percent or €10 million. Exports increased by €10 million, mainly due to construction work in Albania. Investment increased by €5.5 million and full time jobs by 112. But progress in achieving our transformational goals in this sector are not meeting expectations and three out of five objectives in the Year 1 work plan are rated below satisfactory. We will continue to pursue our transformational goals but will also increase our emphasis on transactional approaches.

#### ■ Success Stories ■

**Road** KPEP met with several local banks to recommend a product fairly new in Kosovo, which considers construction work contracts as collateral for loans. Banka Kombëtare Tregtare disbursed its first loan on such conditions to Eurokos in the amount of €600,000. This was immediately followed by another loan to Bejta Commerce, in the amount of €850,000.

**Construction Materials:** In this quarter, , two KPEP clients, the construction company Lin Projekt and the concrete production company Fitorja continued with the business linkage established through KPEP efforts in the first year. Only in this quarter sales exceeded the value of €200,000. Jusuf Haxhimehmeti, owner of Lin Projekt said "We are very pleased with this business linkage. Fitorja is reliable in supplying us with good quality material, always on time, which contributes to efficient operations on our part".



Picture 1: BKT loan helped Eurokos to purchase 4 new trucks



Picture 3: Residential building with concrete produced by Fitorja



Pictures 3: Seminar Opportunities and Challenges for the Kosovo Building Industry

### 2.1. SUB-SECTOR: ROAD CONSTRUCTION

**Sub-Sector Strategy:** The overall strategy for the road construction sub-sector remains the same. The twin objectives improving road design and upgrading the skills of construction workers are sound and will continue. In Year 1, we completed a study tour to Slovenia on road design and completed a road design training needs assessment. Continued progress will

depend on the commitment of the Ministry of Transportation and Communication (MTC). The second goal of improving the skills of construction workers revolves around the establishment of a Heavy Equipment Operators Training Center (HEOTC). We completed a training needs assessment, conducted a heavy equipment operator's survey, and undertook a feasibility study for the center. KPEP sponsored a study tour of a training center in the US in August. The next step is a serious commitment on the part of government to fund and establish the center. Finally, we have added one new objective: to improve the capacity of selected road construction companies to meet international standards in areas such as asphalt production. This objective is regarded as transactional in nature and expected to produce significant measurable results.



### Objective 1: Improve local road design capability

Anticipated Results	
<p>Activities under this objective are designed to build capacity in the Government of Kosovo (GoK) to review designs and ensure compliance. In Year 2, following consultant recommendations, KPEP will support and train local engineers and responsible government officials on proper technical package development for road feasibility studies and tendering of road construction. The goal is to train at least 50 road design professionals and to implement a train-the-trainers program to ensure sustainability. The target to increase the percentage of the road design budget spent on work done by Kosovo engineers, either acting independently, or in joint venture partnerships. KPEP will train:</p> <ul style="list-style-type: none"> <li>• 10 road designers from private practice to produce detailed designs;</li> <li>• 10 government officials (MTC/Municipalities) to produce conceptual designs;</li> <li>• 10 engineers from road construction companies;</li> <li>• 10 site managers from road construction companies; and</li> <li>• 10 top students from the universities</li> </ul>	
Activities	Status
1. Draft and sign the MOU between KPEP and MTC	1. On hold
2. Provide technical assistance and training for the feasibility study and for detailed design and technical specifications	2. Ongoing
3. Produce a documentary film on safety and road design and construction. NEW	3. Ongoing
1st Quarter Progress	
<p><b>Progress against this objective has been much slower than anticipated. Momentum has been regained by identifying the pilot road project.</b></p> <p><b>1. Draft and sign the MOU between KPEP and MTC</b></p> <p>The MOU has been postponed temporarily, pending further discussions between KPEP and Government of Kosovo Department managers. The initial MOU was used as a guideline to identify a pilot road location. Our current plan is to develop a separate MOU explicitly for the road design pilot and related training. Coming to an agreement and signing the MOU is a pre-condition for the road design pilot and training.</p>	



## **2. Provide technical assistance and training for feasibility study and for detailed design and technical specifications.**

In Q1, KPEP worked with MTC on a budget for the pilot road project. By late December 2009, MTC informed KPEP that Parliamentary approval of the budget for the pilot road project was approved, including the feasibility study and engineering design. The pilot road project is located on state road M9, between Pristina and Peja, is approximately 12 kilometers in length, starting in Kijev, and extends west to the 4-leg intersection which leads to Gjakova and Klina. KPEP is waiting for written confirmation of this approval from MTC. KPEP will do the work in two phases: 1) the feasibility study, and 2) the detailed engineering design. In December 2009, KPEP engaged a short-term consultant to assist with the action plan for the pilot road project.

KPEP issued a call for qualified consultants to implement a two-week intensive training course in preparation for the feasibility studies. The feasibility study training will be implemented after the MOU is signed. In this quarter, KPEP has also worked with the MTC and University of Prishtina's Faculty of Civil Engineering and Architecture. The University provided logistics support and offered lecturing space for the course work. KPEP has identified over 30 interested engineers from the private sector, more than 20 students, and 5 representatives from Government. The lectures will be organized next quarter, provided satisfactory progress is shown by the MTC with regard to the pilot road project.

KPEP also worked with the MTC to establish a working group responsible for promotion adoption of international standards for road design. According to the MTC, this working group will be finalized next quarter. KPEP has analyzed the World Bank report and has advised the MTC that its recommendations should be reviewed by the group and potentially implemented.

## **3. Produce a documentary film on safety and road design and construction**

KPEP initiated this activity on road safety. We plan to produce a documentary focusing on unsafe road design and construction. The documentary film is planned to be completed in the spring/summer 2010.



### **Objective 2: Upgrade the skills of construction workers**

#### **Anticipated Results**

Kosovo's construction workforce lacks formal training. No training programs or formal apprenticeships exist and management and supervisory staff do not have the expertise or experience to properly manage and direct road construction projects. From January 2009, the GOK and some municipalities awarded over five tenders to international companies (four from Albania and one from Slovenia). These companies will hire a significant number of foreign workers because skilled local labor is largely unavailable. In order to provide better employment opportunities for local labor, KPEP, together with the Road Construction Association of Kosovo (RCAK), will develop training programs to upgrade the skills of the construction workforce. The strategy for Year 2 has been modified to start with a one-time training of 40 heavy equipment operators. If the stakeholders remain interested, a train-the-trainers program will follow.

The one-time Heavy Equipment Operators training course will be conducted by an internationally recognized accredited training provider for 40 students who are already employed as operators. Training costs will be paid by their employers. KPEP will assist with the procurement of the training service provider, and with the curriculum development.

RCAK will help oversee the training activities with the intent to continue the training in future years. The training will take place in Q2.

KPEP is working with all stakeholders to come to a decision regarding establishing a physical training center. All stakeholders (MTC, MEST, RCAK, and private companies) must first agree on the financing, management and operational aspects of managing the training center.

Activities	Status
1. Draft and sign MOU between MTC, Road Construction Association of Kosovo (RCAK )and KPEP	1. On hold
2. Develop curriculum and start training for HEOT NEW	2. Ongoing
3. Take measures to establish the HEOTC as a sustainable training institution in Kosovo	3. Under review

#### 1st Quarter Progress

**Overall progress against this objective is slower than desired.**

#### **1. Draft and sign MOU between MTC, Road Construction Association of Kosovo (RCAK ) and KPEP**

The MTC identified two possible locations for the training center, one in Malisheva/Malishevo and the other in Skenderaj/Srbica. Both locations are near VET schools that will be built by the Norwegian Government. RCAK has identified the land to be used for the one-time training course. KPEP has been working with MTC and RCAK to develop the business plan for the training center, including the amount of capital investment required. Thus far, RCAK has committed €120,000, and MTC has committed €250,000 but we are waiting for confirmation of these amounts. The terms of the MOU are still being refined.

#### **2. Develop curriculum and start a training course for HEOT**

KPEP issued an RFP to find a qualified training and curriculum development provider. In the next quarter, KPEP will subcontract the selected service provider. RCAK will also receive a grant to facilitate logistics and supporting activities, such as translations, equipment hire, and training room rental.

#### **3. Take measures to establish the HEOTC as a sustainable training institution in Kosovo**

KPEP will continue to explore this initiative. There has been some progress although not as much as we would have liked. KPEP met with the Ministry of Education, Science and Technology (MEST), who expressed support for this activity and promised to adopt the curriculum provided by KPEP. In the coming quarter, KPEP will study international best practices around HEO training facilities.



### Objective 3: Improve the ability of selected road construction companies to meet international standards

Anticipated Results	
<p>The MTC is investing over €100 million in road construction every year. As a result, Kosovo has become an attractive market for foreign road construction companies and suppliers of raw material. These firms are looking for local intermediaries in order to win tenders and sell their product. A significant constraint facing local firms is that they are unable to meet the specified technical requirements for local production of products such as aggregates, pre-cast concrete products, and asphalt. In order to help local firms capture more business, KPEP will provide technical assistance to selected road construction materials companies to help them meet international recognized standards. Anticipated results of this effort will include:</p> <ul style="list-style-type: none"> <li>• More than 80 civil engineers, site managers, technicians, and inspectors trained</li> <li>• More than €300,000 in new investment by (in?) assisted firms to improve technical productions standards</li> <li>• Local firms will realize sales of €20 million for asphalt.</li> </ul>	
Activities	Status
1. Assist lead road construction companies and producers improve operations	1. Ongoing
2. Assist lead road construction companies and producers improve production processes and meet standards	2. Ongoing
1st Quarter Progress	
<p><b>Progress in achieving results under this objective are on track.</b></p> <p><b>1. Assist lead road construction companies and producers to improve operations</b> KPEP prepared application forms for the review of more than 25 companies, members of RCAK, and others. KPEP selected 10 firms for further assistance based on the information provided: five asphalt producers, two concrete producers and three quarry operators. KPEP plans a study tour to Germany to learn about production processes, and best practices. Companies participating in the tour will cover their own expenses; KPEP will pay for the expenses of a KPEP facilitator and a German facilitator. In the second phase, a construction specialist will visit Kosovo to provide training on-site on how to improve contractor operations, including certification of asphalt plant operations.</p> <p><b>2. Assist lead road construction companies and producers improve production processes and meet standards</b> KPEP invited six contractors/materials producers to prepare and submit application forms, for assistance with materials testing. KPEP selected three companies whose materials (quarries) will be tested for use as wearing course material (based on EN standards).</p> <p>KPEP decided to support aggregate producers because aggregates are a basic ingredient of road wearing courses. KPEP drafted an MOU to confirm commitments by each participating firm. A SOW to support three quarry operators has been drafted and next quarter KPEP, will issue an RFP for a service provider to certify the aggregates. The service provider (EU accredited laboratory) shall conduct testing in order that the testing results are reliable so the</p>	



investor and asphalt producers use for the wearing course production.

KPEP will assist the selected asphalt producers with mix design and quality control and the concrete producers with mix design and quality control related to road construction such as bridges, concrete barriers, curbs and gutters. This assistance will begin with the next quarter – March 2010.

Other initiatives targeted to the improvement of production processes and standards will follow.

## 2.2. SUB-SECTOR: CONSTRUCTION MATERIALS

**Sub-Sector Strategy:** The strategy for this sub-sector focused only on concrete in the first year. The specific objectives were to improve architectural design and engineering services and develop workforce skills in manufacturing of concrete. Both objectives fell short of expectations. Our goal was to set up a procedure for licensing architects and engineers. KPEP drafted and published a report entitled, *Registration & Licensing of Architects, Best Practices*, but failed to move forward on setting up the licensing regime. Once this regime is established, KPEP will launch training for architects as part of this process. We will continue to press this effort.

We have also identified a need for targeted training not only for the design professionals but also for other participants in the building materials value chain. This would include how to develop better technical information for designers and manufacturers, as well as how to draft written technical specifications, among other topics.

With respect to efforts to improve concrete manufacturing, the activities contemplated are very expensive and the returns to the industry on an ROI basis unclear. We will, therefore, refocus our attention on the broader building materials sector including but not be limited to concrete. We believe this will yield more significant results and we will specifically work with a selected group of building materials manufacturers to improve product quality, obtain recognized certifications and improve marketing and customer services practices.



### Objective 1: Improve architectural design and engineering services

#### Anticipated Results

The expected results of this objective are to increase the professional development of design and building construction industry practitioners including architects and engineers, building contractors, government regulators and building materials manufacturers. This objective will advance the knowledge base of all practitioners in the industry. KPEP will hire local and international subject matter experts and trainers who can help increase awareness of international best practices among building and construction industry players. Our target is to hold at least three seminars during this year and to reach at least 40 professionals (20 individually employed architects; 10 company employed architects; 10 post-graduates and architectural students and other stakeholders in the building materials value chain). These seminars are aimed at solidifying existing expertise, and introducing the professional community to international practices and standards.

In addition, KPEP will help establish a formal working group that will develop, with the

assistance of an advisor provided by KPEP, a system for licensing of architects and engineers, which will include as a requirement a continuing education program for the profession.

Activities	Status
1. Train engineers, architects, and other participants in the building materials value chain on writing technical information and specifications and other subjects as determined by value chain focus groups, industry participants and international experts.	1. Ongoing
2. Support stakeholders on establishing the process for licensing of architects and engineers	2. Ongoing

#### 1st Quarter Progress

**Progress under this activity has been somewhat slower than initially anticipated.**

#### **1. Train engineers, architects, and other participants in the building materials value chain on writing technical information and specifications**

KPEP achieved significant progress on this objective during the quarter. In November, KPEP facilitated a focus group of construction industry representatives (building materials manufacturers, architects, construction contractor, and government representatives) to inform and guide the selection of training topics and to help create cross-disciplinary support and momentum. The focus was on building materials standards, specifications, and regulations for construction. The gathering exceeded KPEP's expectations and provided confirmation of broad industry concern about the Kosovo's construction industry on many fronts. A list of 12 areas of concern was formulated and 10 general recommendations were established by the group. From these recommendations, KPEP established a comprehensive list of training subjects for the continuing professional development for all parties involved in the Kosovo design and construction.

The first in a series of at least three training seminars / workshops planned for the year was conducted on 17-18 December, 2009. KPEP organized and facilitated two ½ day sessions for building industry participants entitled "Construction in Kosovo: Opportunities and Challenges for the Kosovo Building Industry". Architects, engineers and building materials manufacturers were the target audience. The seminar topics were "introductory" in nature and broadly covered international best practices in design and construction process roles and responsibilities, contract documents, specifications writing standards, and building permitting and inspection. About 50 individuals attended each day.

- 41 seminar evaluation surveys were returned.
- 39 of 41 respondents indicated that the seminars "met or exceeded their expectations".
- 38 of 41 respondents rated the topics and instructional methods "very good" or "excellent".
- Written comments were also collected from the surveys that will be used to help guide future planning for this activity.

This series of construction sector educational efforts will continue, with the next two seminar sessions scheduled for March, 2010.

#### **2. Support stakeholders on establishing the process for licensing of architects and**

**engineers**

KPEP worked with the of Environment and Spatial Planning (MESP) to establish a working group (WG) that will be responsible for proposing an appropriate licensing process for the architects and engineers, to be approved by the Minister. KPEP identified an international advisor, who will be engaged for this effort from Q2 going forward. The consultant will work closely with the WG, guiding them through the process and helping draft appropriate regulatory language. To strengthen this cooperation with MESP, KPEP has drafted a letter of agreement that address roles and responsibilities of each party. The letter will be signed next quarter. The WG will be led by MESP and will include representatives of Architects Association of Kosova, members of the faculty of civil engineering and architecture, engineers associations, Ministry of Education, Science and Technology, Ministry of Trade and Industry and other as needed



**Objective 2: Assist selected building material manufacturers to be more competitive in meeting local, regional, and international demand**

**Anticipated Results**

KPEP will select (through RFA or similar process) at least 10 local producers of building materials (likely terracotta products, blocks and bricks, electrical wiring, painting, doors and windows, flooring, steel products in construction, and plastering) and assist them to become more competitive both domestically and in targeted export markets. To the extent that certification is a prerequisite for exports of specific products and materials, KPEP will support these firms in their goal to achieve such international certification. Assisted firms will improve the quality of products and services, improve production efficiency, and as a result, increase sales, and create new jobs. KPEP will also support local producers to participate in trade shows and B2B's events so that they can establish new business linkages.

Anticipated results would include:

- 3 locally manufactured building products received international certification
- Assisted firms realize €1.5 million in increased sales
- 20 new jobs created in assisted firms
- At least one firm exports a product to a new market

Activities	Status
1. Identify firms and products with high potential for import replacement and export	1. Ongoing
2. Provide technical assistance to target companies to improve production efficiency and meet international standards	2. Ongoing
3. Improve marketing, business linkages and customer services	3. Ongoing

**1st Quarter Progress**

**Progress has been slower than anticipated. KPEP will hire additional resources to get more traction.**

**1. Identify firms and products with high potential for import replacement and export**

KPEP drafted selection criteria for Kosovo building materials manufacturers in order to

evaluate their ability to benefit from KPEP cooperation and assistance. A request for “Expressions of Interest” from building materials manufacturers (BMM) for KPEP assistance has been finalized. KPEP has generated a list of Kosovo BMM who may be eligible for assistance.

KPEP is also working directly with individual building materials manufacturers who will be able to meet the dual goals of KPEP to manufacture energy efficient products. Since these two areas (energy efficiency of buildings and building materials manufacturing) are so closely related, KPEP is searching for synergistic application of its resources by identifying opportunities to achieve successes in both categories.

KPEP has completed the recruit and is awaiting approval for a full-time Construction Specialist who will work with the international Construction Sector Advisor to facilitate progress with this objective.

Building materials manufacturers participated in both the design and construction industry focus group and in the professional development seminars that were described in the Q1 progress for Objective 1 above. The building materials manufacturing assessment done by KPEP in FY 1 identified “information transfer” and “market information” (lack of knowledge of markets served) as a significant need for the building materials manufacturing sub-sector necessary to achieve results under Activities 2 and 3 above.

### 3. SECTOR: FORESTRY AND WOOD PRODUCTS

**Sector Strategy:** The overarching goal of the forestry sub sector is to increase the supply of local wood for the processing industry, including access to certified wood. We will work on forestry certification, combat illegal logging, and pilot better forest management practices under the new law on Public Private Partnerships (PPPs). We will also improve tendering procedures and continue efforts to use biomass as a renewable energy source.

#### ■ Success Stories ■

##### Albrelax Trade Fair Shows Results

KPEP has assisted the Association of Wood Processors of Kosovo (AWPK) to participate in international trade shows, to promote wood products "made in Kosovo". The 2009 Albrelax trade show in Albania was attended by 15 Kosovo companies. Sales at the trade show were €80,000. However, as a result of the exposure and market linkages, companies that exhibited in Albania have made post-trade show sales of over €300,000. As a result of this and other activities supported by KPEP, AWPK has moved toward becoming financially sustainable by generating income from member services.

##### Kosovo Officially a Member of Forest Stewardship Council

In October 2009, the Standard Development Group of Kosovo was officially accredited by the FSC. The next KPEP step was the launching of a public awareness campaign on importance of forest protection. In November 2009, KPEP organized a contest for the best essays and drawings with this theme, with schoolchildren in the area of Deçan/Dečan, which has the richest forest resources in the country. In December 2009, KPEP launched the two-month public discussion period for the first FSC Kosovo draft standard for forest management certification, drafted by the SDG. The KPEP international consultant drafted the document entitled *Illegal Logging in Kosovo – Elements of a Strategy and Action Plan*.



Picture 1: Visitors checking the quality of Kosovo made furniture



Picture 2: KPEP STTA visiting wood processing companies



Picture 3: Winners of the best essay and drawing contest plant the tree of friendship

#### 3.1. SUB-SECTOR: FORESTRY

**Sub-sector Strategy:** Kosovo's forestry sector is confronted with the reality that market access is severely limited unless wood originates from certified forests and wood products can be traced through a certified chain of custody (CoC). Certified wood products will be the rule not the exception in Europe and North America and to be competitive Kosovo must address certification. Of the ten principles and criteria to which Kosovo must comply for certification, illegal logging is the greatest challenge. The Year 2 strategy for KPEP Forestry will be to move forward with forest certification and to implement a parallel effort to address illegal logging.

In Year 1, KPEP facilitated the development of the Forest Standards Development Group (SDG) for certification under the Forest Stewardship Council (FSC). Forest certification is a lengthy process; the SDG is the pivotal governing body in Kosovo which solicits comments and responses from local stakeholders and seeks to develop Kosovo forest standards that comply with FSC principles and criteria. KPEP will continue to support the SDG in the forest certification effort and begin the process of establishing chain of custody certification with wood processors. KPEP will move forward with implementing the principles and criteria of the FSC prior to forest testing of the Kosovo certification standards. Much can be accomplished by early identification of at least three candidate forest management units with long term management plans in place and rectifying issues such as labor rights and record keeping. The Norwegian Forest Group (NFG) has undertaken the task of preparing forest management plans with three management plans completed. KPEP will work with them and local forest management consulting firms whom the NFG has trained to rate forest management units on their potential for certification.

Although an effective program to address illegal logging is a principle within FSC, KPEP will implement a strategy to reduce illegal logging as a parallel effort. Illegal logging is pervasive and extremely costly. Efforts in the past to address illegal logging have failed due to the lack of a strategic approach. KPEP's Year 2 strategy will involve 1) public awareness, 2) community involvement; and 3) law enforcement.

The law on forests limits forest concessions/leases to one year, but KPEP can assist the Ministry of Agriculture, Forestry and Rural Development (MAFRD) to develop a more transparent process in developing, issuing and awarding tenders. There may also be options in developing renewable leases based upon a harvesting company's development of a long term forest management plan or adherence to an existing plan. The most effective approach would be to integrate regional best practices into the tendering process.



### **Objective 1: Forest certification through Forest Stewardship Council**

Anticipated Results	
The timetable established by KPEP anticipates that Kosovo could have the initial forest management units certified in October 2011. As Kosovo makes progress on forest certification within individual forest management units, there will be an increase in the annual sustainable harvest which will result in an increase in jobs and sales.	
The return on investments of sales, jobs, and investment may not be realized within the life of the project, but the future value is significant for the forestry sector. When Kosovo will move from the current 20 percent annual sustainable harvest to 70 percent of the sustainable cut, logging firms will increase investment, sales and jobs.	
Activities	Status
1. KPEP forestry specialist will chair the Kosovo Standards Development Group	1. Ongoing
2. Develop a forest certification manual	2. Completed
3. Develop Forest Stewardship Council Standards	3. Completed (Draft)



4. Identify at least 3 forest management units for forest certification	4. Completed
5. Forest certification gap analysis	5. Ongoing
6. Forest certification training for the local stakeholders and communities within the candidate forest management units	6. Ongoing
7. Forest certification training for Ministry of Agriculture, Forestry and Rural Development (MAFRD) personnel	7. Ongoing
8. Conduct pre-certification forest testing	8. Ongoing
9. Chain of custody training for Association of Wood Processors of Kosovo (AWPK)	9. Ongoing
10. Conduct a forest certification assessor's training	10. Ongoing
11. Execute a forest certification communication plan	11. Ongoing
<b>1st Quarter Progress</b>	
<b>Progress on this objective has exceeded expectations.</b>	
<p>The Standards Development Group was recognized by the Forest Stewardship Council in September 2009. The Standards Development Group prepared the initial draft of Kosovo's forest certification standards and issued it for public comment in December 2009. The process is on track and slightly ahead of schedule. Activities 1-4 have been completed in Q1.</p>	



## Objective 2: Reduce illegal logging

Anticipated Results	
<b>Progress on this objective is on track.</b>	
<p>There will be increased awareness among key stakeholders and the population in general about the extent and adverse effects of illegal logging. Illegal logging activity in the forest certification management units, identified in Objective 1, will be reduced. Although harder to measure, illegal logging activity nationwide will decline.</p> <p>In the long term, KPEP anticipates increased revenues to the government and long term viability and competitiveness of the forestry sector. The interventions in the sector will lead to greater access to domestic wood resources for the wood processing industry.</p>	
Activities	Status

1. Develop a national strategy to reduce illegal logging	1. Completed
2. Implement key measures under the national strategy developed under activity 1	2. Ongoing
<b>1st Quarter Progress</b>	
<b>We are moving forward under this objective, but it still unclear if there is the will to combat illegal logging.</b>	
<b>1. Develop a national strategy to reduce illegal logging</b> The current Law on Forestry refers to the creation of a Forest Body that would coordinate and monitor the Kosovo Forest Agency, law enforcement relative to illegal logging, and prosecution of offenders. KPEP's recommendation is that the Forest Body be quasi independent of MAFRD and report to the Prime Minister, much like the KVFA. The strategy identifies law enforcement, public awareness, and community involvement as foundational pieces.	
<b>2. Implement key measures under the national strategy developed under activity 1</b> For the strategy to be effective it needs stakeholder input and ownership. The recommendation is to develop a Forest Body which can develop and execute an action plan. The stakeholders meetings are scheduled for the next quarter.	



### **Objective 3: Improve government leasing and tendering practices**

<b>Anticipated Results</b>	
Improved understanding on the part of key stakeholders of international best practices in tendering and leasing procedures for forest assets. Specific reform measures adopted by government. In the long run, we anticipate that there will be improved access by local wood processors to timber from public forests and better long term management of forest assets.	
<b>Activities</b>	<b>Status</b>
1. International best practices study	1. Ongoing
2. Promote awareness of international best practices among key stakeholders	2. Ongoing
3. Support the development of Forestry PPP Model Contract	3. Ongoing
<b>1st Quarter Progress</b>	
<b>Progress under this objective has been slow, but we expect to get more traction in the upcoming quarters.</b>	
<b>1. International best practices study</b> The best practices study is proposed for Q3 and will involve best practices in Slovenia, Montenegro, and Romania.	
<b>2. Promote awareness of international best practices among key stakeholders</b> Activity 2 will be implemented once the best practice study is completed and results analyzed	
<b>3. Support the development of Forestry PPP Model Contract</b>	



There has been little movement on the government's acceptance to the PPP model as a means of managing publicly owned forests because of some inertia in the PPP Office of the Ministry of Economy and Finance (MEF) and ministry concentration on the Airport Project. KPEP has advocated MEF and MAFRD to utilize the PPP model in the future. In the next quarter we plan to develop a model medium-term forestry PPP contract for sustainable forestry management by private firms.



#### **Objective 4: Promote use of bio mass as an alternative energy source**

Anticipated Results	
Wood waste is increasingly utilized as an alternative energy source. In the long run, reductions in demand for firewood is related to a reduction in illegal logging; biomass industry will, in the long run, increase sales and jobs.	
Activities	Status
1. Key measures identified in feasibility study undertaken in year one are implemented with support from KPEP	1. Ongoing
1st Quarter Progress	
<b>Progress under this objective is satisfactory.</b>	
The biomass feasibility study, which will also serve as a guide to investment in biomass, was awarded and will be completed in the next quarter.	

### **3.2. SUB-SECTOR: WOOD PRODUCTS**

**Sub-Sector Strategy:** The wood products sub-sector was a high performer in Year 1. KPEP helped the Association of Wood Processors in Kosovo (AWPK) organize the Natyra Wood Processing Fair in Pristina earlier this year, and supported the participation of local wood processors at the LIGNA fair in Hanover, Germany in May, one of the world's leading trade fairs for woodworking equipment, machinery, and wood products. Anecdotal feedback revealed that Kosovo wood processing companies attending the Natyra fair achieved sales of €230,000, and invested €820,720 in new equipment at LIGNA.

The first year strategy for this sub-sector focused on developing new markets and products as well as strengthening AWPK. KPEP will continue implementing this strategy, and will invest more effort into the development of new products that meet international standards. Because this sector has already shown promising results, KPEP will expand the sector strategy to assist the wood processors with improving their production techniques and business practices. Planned activities in this area will include training on business finance – such as understanding a company's cost of production – improving the manufacturing process, development of export plans, and technology transfer.

In Year 1, KPEP and AWPK organized a job fair in Peja, for carpentry students and wood processing firms. Several internship and job offers resulted from this fair. KPEP plans to repeat this event in the coming year, and also plans to implement an internship program for students at a vocational training center.

KPEP will further continue its efforts of building capacity at AWPB, to include assistance with annual planning, both programmatic and operations, training in advocacy, and development of additional services to its members.

KPEP expects that as a result of these efforts the wood processing sector will have a better understanding of the end markets and how to produce for them, a better understanding of their own operations, an appreciation for internships and on-the-job trainings, and the association will become a more sophisticated provider of services with a broader membership base and improved long-term financial sustainability.



### **Objective 1: Developing new markets and new products of international quality standards**

Anticipated Results	
<p>KPEP anticipates that as a result of the activities listed below, the wood processing industry will gain a better understanding of the end markets, improve its production process and marketing strategy, and will have plans in place for achieving international standards. Although Kosovo wood products have a fairly secure position on the domestic market, opportunities for growth exist in new product design. KPEP will work with client firms to develop at least four new products or new designs for existing products. The export market is attractive and as wood processors learn more about the end market, they will respond by entering into at least three new markets.</p>	
Activities	Status
1. Develop new business linkages	1. Ongoing
2. Participate in both regional and international trade shows	2. Ongoing
3. Identify new products	3. Ongoing
1st Quarter Progress	
<p><b>Progress in this area has been satisfactory.</b></p> <p><b>1. Develop new business linkages</b> Business linkages were established with key buyers in the EU. The market demand for design, quality and pricing was communicated to wood processors in Kosovo. This objective is developing well with initial sample orders being delivered and buyers traveling to Kosovo to monitor quality.</p> <p>KPEP engaged a consultant to build business linkages between Kosovo processors and EU buyers. Two buyers, one from the Netherlands and Ireland visited to develop relationships with Kosovo companies. Both companies, FINLINE and WIMAR, have produced small sample orders which have prospects of developing into substantial sales during the course of 2010/11.</p> <p><b>2. Participate in both regional and international trade shows</b> KPEP supported AWPB membership and management to exhibit at Albrelax the annual furniture trade fair in Tirana/Albania. The event was held from October 1- 4, 2009. Fifteen wood processing companies exhibited. Sales from the fair exceeded €380,000.</p>	

**3. Identify new products**

New customers are demanding new products and Kosovo processors are responding. Examples of new product development are: children's and school chairs (seven sizes); Queen Anne chair with different legs including frame; solid wood boxes for kindergarten furniture; wood handles (four types); and bed side furniture. KPEP assisted the companies with developing appropriate pricing and putting the offers together, with shipping samples to the prospective clients, quality control on site, and with regular follow up.

**Objective 2: Improve production techniques and business practices****Anticipated Results**

Companies will better understand their internal cost structures, have plans in place for improving processes and increasing exports, and develop furniture design skills. In the long run, wood processors have higher quality products and increased market share.

Activities	Status
1. Provide training on business finance	1. Ongoing
2. Support the development of export plans	2. Ongoing
3. Help AWPk organize a training course for furniture design and engineering	3. Canceled
4. Provide assistance to improve manufacturing processes	4. Ongoing

**1st Quarter Progress**

**Progress in this area has been satisfactory.**

**1. Provide training on business finance**

Product cost determination and price policy are the focal intervention points with our client companies. For specific products, KPEP has developed cost sheets for several companies (Modeli New Co; Ciao Berto; Ahikos; Korenica; Hilmi Deva).

**2. Support the development of export plans**

All companies were assisted in preparing export plans, which identified the target market(s), buyer(s), and products. Within the export plan, KPEP and client companies also produced action plans that each company will undertake to upgrade their products to execute the plan.

**3. Help AWPk organize a training course for furniture design and engineering**

The activity to assist AWPk organize training for furniture design and engineering was cancelled due to a perceived lack of interest in this topic compared to other priorities.

**4. Provide assistance to improve manufacturing processes**

KPEP has provided support to several companies to improve their production processes. KPEP hired a short-term consultant to work with selected companies one-on-one to analyze and optimize their shop floor processes and to calculate product costs and appropriate sales prices.



### Objective 3: Strengthen the Association of Wood Processors in Kosovo (AWPK)

Anticipated Results	
KPEP's goal is to improve the financial sustainability of AWPK, as well as its ability to provide value-added services to its members, including lobbying and advocacy, and provide information to its members. We expect that AWPK's rating on the KPEP Association Development Index increases as a result of these initiatives.	
Activities	Status
1. Assist AWPK in developing and implementing its annual plan	1. Complete
2. Support AWPK in participating in international initiatives	2. Ongoing
3. Support Kosovo Standards Agency (KSA) and wood products development committee to identify, adapt, and implement EN standards	3. Ongoing
1st Quarter Progress	
<p><b>Progress on this objective is satisfactory.</b></p> <p>AWPK is on target to become a mature organization, providing valued member services for which the membership is willing to pay for.</p> <p><b>1. Assist AWPK in developing and implementing its annual plan</b> AWPK yearly annual plan is developed and was presented to a wide membership through <a href="http://www.druri.org">www.druri.org</a>. AWPK participated in the association training that KPEP offered in the fall of 2009, which addressed essential association building concepts, including value added services to members and annual planning. Many of the lessons learned are reflected in AWPK's annual plan.</p> <p><b>2. Support AWPK to participate in international initiatives</b> AWPK became a counterpart organization to SIPPO (Swiss Import Promotion Program) and together they will implement joint planning processes and industry promotional programs. KPEP's wood processing specialist was instrumental in establishing this relationship and supporting two companies who requested SIPPO support to attend a trade show in Switzerland, Swissbau, in January 2010.</p> <p><b>3. Support Kosovo Standards Agency (KSA) and wood products development committee to identify, adapt, and implement EN standards</b> Initiated by KPEP, the Kosovo Standardization Agency (KSA) organized a third wood industry standardization committee meeting. The second set of 60 EN standards related to furniture industry, compiled by KPEP, have been discussed and distributed for public discussion. The first batch of 46 standards has been adapted as SK (Kosovo Standards).</p>	

#### 4. SECTOR: INFORMATION AND COMMUNICATION TECHNOLOGY

**Sector Strategy:** ICT, originally designated a transformational sector during the sector selection process, was treated as transactional sector in the first year. This decision was based on the fact that KPEP was dealing with a new sector not covered by predecessor projects about which we knew relatively little. We therefore focused our efforts on achieving transactional results while developing a strategy to deal with transformational issues. Despite some start up issues the sector finished strong with three out of four objectives rated satisfactory or better. Building on these positive results, KPEP intends to treat the sector in a transformational way in Year 2.

KPEP plans to work primarily with services companies, systems integrators, ICT training providers, and value-added resellers supplying the domestic and nearby regional markets. We will also work with and through the ICT Association and coordinate closely with government on the regulatory framework. We propose to continue with the same four objectives established in Year 1.

Efforts to improve marketing and sales capabilities and create new market linkages will cover a wide range of issues including expanded regional linkages, outsourcing, call centers, a portal for information on government tenders, e-marketing, and training to improve customer relations.

We will retain a strong focus on work force development continuing vendor training and Project Management Professional (PMP) certification. We have added cyber security training and certification, a topic that is likely to become increasingly important, and a job fair to improve job placement.

We will strengthen the ICT Association, improving its ability to provide services to members on a fee basis and serve as an effective voice for the industry on regulatory issues. Finally we will continue efforts to support adoption of dot KS (.ks) Country Code Top Level Domain name and the establishment of an Internet Exchange Point (IEP).

##### ■ Stakeholder Insight ■

With KPEP's assistance, Management & Development Associates LLC became the first Registered Education Provider (REP) in Kosovo for Project Management Institute (PMI). The certified trainings aim at increasing capacities in project management field, and target individuals who manage and/or support planning, implementation and monitoring of projects.

"KPEP's assistance will help us penetrate this market by providing our clients financial incentives if they pass the PMP exams. REP status provided MDA with a great competitive advantage as a Kosovo based consulting and capacity building leader in the region. Our aim is to help at least 30 professionals pass the PMP exam by the end of 2010. We aim at doubling that in 2011. The first course starts on February 8, 2010, and judging by the increasing demand, we will have to organize three more by end of this year!"

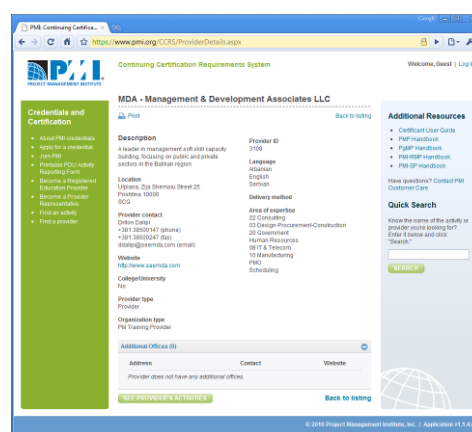
Driton Dalipi, Managing Partner, MDA

KosovoGuide - The First Kosovo Tourism Portal "KPEP selected us to build and maintain the Kosovo Tourism Portal targeting international community residing in or traveling to Kosovo. The assignment has had a tremendous impact on our company, as we have been able to initiate and grow a new department of online marketing specializing to serve the tourism sector. We expect to start making revenue from the portal by the end of the first year, and in three years to be able to spin off a new online marketing services company as the portal becomes the leading source of tourism information on Kosovo."

Shkumbin Brestovci, CEO, Rrota ICT company



Picture 1: Screen shoot of the Tourism Portal



Picture 2: MDA listed as a PMP provider for Kosovo

## Objective 1: Improve marketing and sales capabilities for selected firms and expand market linkages

### Anticipated Results

By improving the marketing and sales capabilities of select firms, creating new market linkages; and preparing marketing strategies for penetration into these new markets, the assisted firms will realize increases in sales and exports. Specific goals include:

- Increased sales of products and services by companies participating in B2B events. At least two new sales contracts achieved within three months of the event.
- 10 percent increase in the value of contracts outsourced to local ICT companies both by the GoK and by international companies.
- Kosovo Call-Centers obtain inbound business. At least 50 people employed in inbound call centers.
- The B2B portal reduces the cost of the bidding process by providing tender documents, repository of information on past projects, and enhanced transparency in the GOK tendering process; portal becomes a one stop shop for all government tenders.
- At least 30 companies from Tourism and other KPEP sectors participate in the E-Marketing Workshops, acquire the knowledge to improve their marketing, and harness the potential of a new online channel for increased sales.
- An ICT Fair in Pristina is successfully organized by the ICT Association. Corporate participation increases by at least 20 companies. The fair enables networking and building business relationships between sellers and buyers, and thus a potential for increase of sales.
- Participating companies learn Customer Relationship Management techniques, which enable them to increase sales and realize better customer management and higher customer retention.

Activities	Status
1. Regional ICT B2B events	1. Ongoing
2. Workshop on Outsourcing	2. Planned
3. Support for the development of inbound call centers	3. Ongoing
4. Tender G2B Portal	4. Under Review



5. E-Marketing Workshop	5. Completed
6. ICT Fair in Pristina	6. Planned
7. Training in ICT Sales and Customer Relations Management (CRM)	7. Planned
<b>1st Quarter Progress</b>	
<p><b>Progress under this objective is satisfactory.</b></p> <p><b>1. Regional ICT B2B events</b> KPEP contracted with the ICT Association (STIKK) to organize, in collaboration with the ICT Association of Albania (AITA), two regional B2B events; one in Kosovo and one in Albania in Q1. Initially proposed by the Association for December, the event has been rescheduled for the spring of 2010 to allow for longer lead time.</p> <p><b>2. Workshop on Outsourcing</b> Planned for Q2 or Q3.</p> <p><b>3. Support for the development of inbound call centers</b> KPEP commissioned a survey of call centers operating in Kosovo with Index Kosova. The purpose of the study is to identify how many and what types of call centers exist in Kosovo, what their main activities are, and what their perceived training needs are. KPEP's aim is to provide technical assistance to interested call centers to help them do more inbound business, in keeping with one goal of the national FDI strategy, which is to focus on Business Process Outsourcing. Completion of the study is anticipated for Q2.</p> <p><b>4. G2B Portal</b> The SOW for building a G2B Portal, a website which would provide information on public and private tenders, is under review internally, due to questions about the business case for such a portal.</p> <p><b>5. E-Marketing Workshop</b> Following a successful workshop on e-marketing for the ICT sector in Year 1, KPEP organized a second workshop on e-marketing for tourism companies. It served a dual purpose: to educate experience providers about the e-marketing tools available to them, and to create networking opportunities between the tourism and ICT companies, the latter being potential providers or the e-marketing services. The workshop attracted 25 companies coming from the tourism sector and 3 ICT companies.</p> <p><b>6. ICT Fair in Pristina</b> KPEP plans to support the ICT Association in its efforts to organize the annual ICT Fair in Pristina, planned for Q3.</p> <p><b>7. Training in ICT Sales and Customer Relations Management (CRM)</b> KPEP has identified and will fund a trainer for a workshop and one-on-one training sessions on customer relations management (CRM). The ICT Association will offer the training under its auspices as a value added service offering for its members. The training is planned for Q2.</p>	



## Objective 2: Improve workforce skills and support job placement services in ICT sector

Anticipated Results	
<p>Improved workforce quality will be demonstrated by an increase in the number of local ICT professionals with internationally-recognized certifications; increased employment and retention of ICT professionals; increased number of Kosovo ICT professionals with PMP certifications; and increased capacity of ICT firms to manage and successfully complete complex projects.</p> <ul style="list-style-type: none"> <li>▪ Approximately 50 people trained and certified with internationally recognized certifications.</li> <li>▪ Approximately 10 people trained and certified with internationally recognized PMP certifications.</li> <li>▪ Security skills training programs develop and become available in Kosovo. At least 20 people certified in security disciplines.</li> <li>▪ 50 youth successfully recruited within the three months of the fair date.</li> </ul>	
Activities	Status
1. ICT Vendor Training and certification	1. Ongoing
2. PMP Training and certification	2. Ongoing
3. Cyber Security Training	3. Planned
4. ICT Job-Fair (organized together with Workforce Development)	4. Preparations Ongoing
5. Feasibility Study on ICT Business Incubator	5. Preparations Ongoing
1st Quarter Progress	
<p><b>Progress under this objective is satisfactory, however, additional efforts will have to be made to achieve the numeric training goals.</b></p> <p><b>1+2. ICT Vendor/PMP Training and Certification</b>  The ICT Training and Certification and the PMP training are year long activities which continue from Year 1. 20 candidates are now enrolled in the ICT training series. This number is below our target. We are considering loosening the admissions criteria for the program to expand enrollment. The first exams and achievement of industry certifications will take place in Q2.</p> <p>MDA, the company that is contracted to offer PMP training, is undergoing certification and will begin offering the training series from Q2.</p> <p><b>3. Cyber Security Training</b>  Planned for Q2 or Q3</p> <p><b>4. ICT Job-Fair</b>  The ICT Association organized a job fair targeted at the ICT sector. Eight ICT companies offered 30 different employment opportunities. Job postings and applications were done through two online job portals prior to the event, which took place December 16. Almost 1,000 candidates applied through the on line portals and over 100 interviews were conducted with the companies. The job fair was opened by the Minister of Labor and Social Welfare,</p>	



who stressed the importance of events such as this one for job growth in Kosovo. As of the end of December, final results in terms of numbers of positions obtained were not yet available.

### 5. Feasibility Study on ICT Business Incubator

KPEP has identified two international consultants to conduct a feasibility study for an ICT Incubator in Kosovo. This concept is supported by AUK, Microsoft, Ipko and other major stakeholders. The consultants will undertake the study in Q2.



### Objective 3: Strengthen ICT Association

#### Anticipated Results

The anticipated results for this objective is for the ICT Association to launch the first advocacy initiative, increase membership from 61 to 70 companies, and increase association revenue by offering value added services. The results from the ICT survey will inform KPEP and the Association on which trainings are needed in, and requested by, the industry, and to facilitate such trainings.

Activities	Status
1. Training in association building	1. Completed
2. Skills Trainings offered by the ICT Association	2. Planned

#### 1st Quarter Progress

**Progress under this objective is satisfactory.**

#### 1. Training in association building

The ICT Association participated in the 2-day KPEP sponsored Association Strategic Management & Leadership Training in Pristina. In addition, it had a half day one-on-one coaching session with the international advisor. The training topics covered were:

- How to build an effective strategy for membership, advocacy and financial sustainability
- How to assess, understand and deliver products and services to meet member needs
- How to raise revenue from products and services; how to communicate effectively with members.

The tailored coaching sessions with the ICT association covered the following areas: IT Curriculum Development at the University Level; Strategic Planning; Annual Work Plan Development; Annual Operational Budget Planning.

#### 2. Skills Training offered by the ICT Association

In Year 1, KPEP commissioned a supply/demand survey for the ICT sector, which will provide important information about the training needs in the sector. The study will be completed in Q2, and will inform and provide valuable input to the Association's upcoming workplan. KPEP and STIKK will consult on the types of training that STIKK wishes to offer to its members, in part with KPEP support.



### Objective 4: Improve legal and regulatory environment for ICT sector

#### Anticipated Results

The primary goals of this objective are establish the Internet Exchange Point (IEP) and the ccTLD. KPEP will support the Ministry of Transport and Communications to draft, approve, and issue regulations and instructions for the establishment of the Internet Exchange Point for Kosovo. Additionally, KPEP will identify a suitable operator for running the IEP. Creating the Internet Exchange Point in Kosovo will translate into considerable savings for all interconnected Internet Service Providers, increasing security and quality of Internet communications in Kosovo, and enabling local ICT businesses to develop new and competitive applications and services.

Likewise, establishing the ccTLD involves working with Ministry of Transport and Communications and identifying a suitable operator to manage the ccTLD. The ccTLD for Kosovo will be reserved by IANA/ICANN and delegated to Kosovo ccTLD manager, or registry, will issue the first authorizations to registrars who in turn will sell domain names, facilitating a new set of services by local ICT companies such as domain name management and maintenance, and hosting and web services. The expected long term result is that Kosovo entities, both public sector and private, establish a national identity with the .ks domain name. This will allow for professional webpage and email addresses.

Activities	Status
1. Develop Internet Exchange Point (IEP)	1. Planned.
2. Support the GOK to obtain and manage dot KS (.ks) Country Code Top Level Domain Name (ccTLD)	2. Ongoing

#### 1st Quarter Progress

**Progress in this area is slower than expected.** Due to the situation on the ground, the international consultant retained to work on both issues since the summer of last year, focused almost exclusively on .ks during his first two assignments. However, progress on .ks has been stalled at the international level. We plan to dedicate an upcoming assignment in Q2 to the support of IEP exclusively.

#### 1. Develop Internet Exchange Point (IEP)

The IEP is an objective continued from Year 1. The consultant retained in Year 1 for the dual purpose of establishing the IEP and implementing .ks, due to the situation on the ground, focused exclusively on the .ks work in Q1. KPEP is updating the original SOW to emphasize the importance of establishing the IEP, to be undertaken in Q2

#### 2. Support the GOK to obtain and manage dot KS (.ks) Country Code Top Level Domain Name (ccTLD)

The KPEP .ks consultant continued his assignment by coordinating with domestic stakeholders and advising them on the establishment of the domestic domain registry, drafting secondary legislation for the MTC and a request for consultation regarding the establishment of the registry to be disseminated by the TRA to industry stakeholders. In parallel, the US Embassy in Kosovo, through the US Department of State, has worked to support Kosovo's request for acceptance of the .ks domain name in the UN. However, this effort has faced difficulties due to political concerns and the process has come to a halt. However, KPEP believes that the process on the national level of how to set up the registry and distribute and sell domain names should move forward. For this purpose, KPEP plans to have the consultant return in Q2.

## B. TRANSACTIONAL SECTORS

### 1. SECTOR: TOURISM

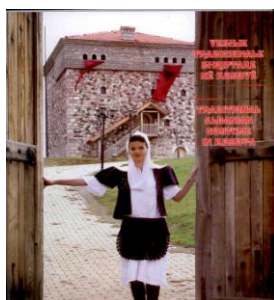
**Sector Strategy:** Our tourism strategy in Year 1 was simple. Market tourism experiences to the international community, help local experience providers<sup>1</sup> improve the quality and variety of offerings, and then seek to create regional linkages. We had a strong start in Year 1. KPEP achieved excellent results with its first major initiative, “Stay the Weekend – Experience Kosovo” exhibition in April for 40 tour operators, hotels, restaurants and other tourism establishments, with confirmed sales at over \$250,000.

Tourism will continue as a transactional sector and the strategy will remain the same. We will focus more attention on marketing, promotion, and outreach events including the launch of a new tourism portal that was initiated in Year 1. We will also work with selected experience providers to improve the quality and variety of service offerings. We will help develop and pilot new service offerings, such as the mountain bike tour in Peja. Feedback from these events will be used to refine and improve quality. Efforts will be strongly guided by hard return on investment metrics. Our goal is to realize increased sales and jobs.

#### ■ Success Stories ■

As result of promotion by KPEP on the tourism blog, which helped spread the word, the book “Traditional Albanian Costumes in Kosovo” published by Bora Fashion Agency, has been introduced for the first time to Kosovo and neighboring markets, including Diaspora in Germany and Switzerland. 500 copies were sold increasing revenues of Bora Fashion for over €12,000. Furthermore, the Ministry of Culture awarded €6,000 to Bora Fashion to publish 400 copies of the second edition of this book, which is of high importance for the promotion of Kosovo’s cultural tourism.

After just three months of KPEP assistance, fifteen new experiences have been developed by experience providers of inbound tourism in Kosovo, twelve of which were piloted by 450 internationals and 660 local tourists. Six pilot tours were converted to regular over the course of this quarter. These positive trends have generated over €10,000 direct sales and over €1,500 spending by tourists. In addition, four weekend tours were experienced by 89 tourists, converting day visits to overnight stays, thus adding value to tourist offers.



Picture 1: Book ‘Traditional Albanian Costumes in Kosovo’



Picture 2: Mirushe Waterfall Tour, offered by Kosovo Tourism Group



Picture 3: Easy Walk trekking, offered by Rugova Experience

<sup>1</sup> We use the term experience provider to include the full range of business that can offer services that together create a unique tourism experience. This includes tour operators, restaurants, hotels, handicraft industry, industry cultural events, and others.



**Objective 1: Strengthen market linkages between the local international community and experience providers and create greater awareness of tourism destinations in Kosovo**

Anticipated Results	
<p>The anticipated results under this objective include increased sales and demand for tourism experiences and events by the international community, increased awareness among a broad range of businesses and communities about tourism as a valuable source of income and employment, as well as a source for protecting and sustaining cultural and natural heritage. We expect revenue for the tourism industry to increase by 30 percent and employment by 20 percent for assisted tourism businesses and related organizations. We are also planning to convert 3 percent of tourism web portal visitors into customers</p>	
Activities	Status
1. Marketing and promotion of product offers to selected international groups	1. Ongoing
2. On-line Tourism Marketing Portal	2. In process
3. Travel Day Fair on April 22 <sup>nd</sup> , 2010	3. Planned
1st Quarter Progress	
<p><b>Progress made under this objective has been excellent.</b></p> <p><b>1. Marketing and promotion of product offers to selected international groups</b>  KPEP is now working with a total of 20 experience providers, which has increased from six in year 1. KPEP support includes traditional and online marketing and promotion of product offers to internationals living in Kosovo. Display tables organized at EULEX, OSCE, UNDP, ICO and French KFOR. The tourism blog developed by KPEP has attracted the interest of over 2,000 internationals and Kosovars. More than half of those who visited the blog signed up for a tour, which represents a significant increase in demand. Three additional companies were included in the PBMS (which is a 50 percent increase over Year 1). These client firms reported increased revenues of 273 percent and employment of 190 percent, albeit from a very small base.</p> <p>The increased number of offers and the promotion initiatives undertaken by the experience providers resulted in greater awareness among businesses and communities of tourism as a valuable source of income and employment. For example, Gjakova, for the first time, published a tourist guide and tourist packages, both developed by the NGO and KPEP client Arteza; four travel agencies that deal with outbound tourism only have begun to develop inbound tourism offers; a minority business from Brezovica, the restaurant Ljuboteni, has started to offer tour packages, thus generating value added services and increasing sales at its gastronomy business.</p> <p><b>2. On-line Tourism Marketing Portal</b>  In addition to the above mentioned marketing and promotion efforts, KPEP has commissioned the development of a tourism portal, called “KosovoGuide”, which will feature the offers of the experience providers that KPEP works with, as well as upcoming events, and more generally, information about the hospitality business in Kosovo, hotels, restaurants, attractions, information about the regions, a blog, etc. We have high expectations for this site as the place to consult for expatriates living in Kosovo or planning to travel to Kosovo as well as for the local community interested in exploring tourism experiences in</p>	

their country.

### 3. Travel Day Fair on April 22<sup>nd</sup>, 2010

Initial preparations have started for this trade show.



## Objective 2: Improve quality and variety of tourism experiences available in providers

Anticipated Results	
The goal is to convert day visits into overnights and/or weekend tours thus increasing value of sales and adding value to tourism offers. KPEP will also improve service offerings through lessons learned and international best practices.	
Activities	Status
1. Pilot new experiences with international community	1. Ongoing
2. Convert pilot tours into regularly scheduled quality product offers	2. Ongoing
3. International Study Tour in Best Practices	3. Approved by World Learning, scheduled for March 2010
1st Quarter Progress	
<p><b>Progress made under this objective is satisfactory.</b></p> <p><b>1+2. Pilot new experiences with international community, Convert pilot tours into regularly scheduled quality product offers</b></p> <p>KPEP continues to work with selected tourism operators poised to become successful “experience providers” – that is, providers of tourism packages that capitalize on what Kosovo has to offer and cater to a wide range of alternative tourism interests. In this quarter, KPEP has provided technical assistance and training to 13 experience providers (double the number from Year 1) in order to improve their entrepreneurial skills, the quality and variety of their offers, introduced them to for the benefits of e-marketing, and helped them establish contacts with new clients. A focus group discussion organized by KPEP with 20 internationals was designed to help the experience providers better understand client demands, and help them tailor their offerings to their expectations.</p> <p>Below are examples of accomplishments achieved by our clients in this quarter:</p> <ul style="list-style-type: none"> <li>KPEP-assisted experience providers have developed 15 new service offerings. 12 of them were piloted by 450 internationals and 660 local tourists. Six of them were converted to regularly offered tour packages. These include the Vranoci Cultural Tour; the Novoberdo Rural Tourism Tour; and the Three Days Mountain Hiking. These activities generated over €10,000 in direct sales to the KPEP-supported experience providers, and additional estimated €1,500 in sales in handicrafts, wine, and other ancillary businesses. Eighty-nine customers took weekend tours, strengthening the “Stay the Weekend – Experience Kosovo” initiative.</li> <li>Safete Gacaferi, the director of KPEP client JETA, was recognized by the Kosovo Assembly as one of the Successful Women in Business in 2009. JETA was the organizer of the very popular New Year Show ‘Food Preparation Competition’ with</li> </ul>	



40 of the best known Kosovo singers. JETA developed and successfully marketed several tourism offers in 2009.

- Promoted on the KPEP tourism blog, the book “Traditional Albanian Costumes in Kosovo” published by the Fashion Agency Bora, was introduced in Kosovo and neighboring markets, as well as the diaspora in Germany and Switzerland. 500 copies were sold as a result of this promotion, increasing revenues of Bora by over €12,000. Bora Fashion attended the worldwide beauty contest ‘Miss Globe 2009’ event and was featured in several Albanian media outlets. The book of traditional costumes attracted the attention of Albanian photo models and designers that enabled Bora Fashion to get additional sales and promotion. The Kosovo Ministry of Culture awarded €6,000 to Bora Fashion to publish a second edition of this book, with the objective of promoting Kosovo’s cultural tourism.
- NGO, Rural Tourism Novobrd (RTN) has been invited by IPKO for its 10 anniversary ceremony to host over 500 visitors with traditional food. This event generated revenues for RTN of 2,500 €.

The results achieved by KPEP-supported experience providers are encouraging. It demonstrates that the training and marketing support that we have provided is bearing fruit.

### 3. International Study Tour in Best Practices

As either start-ups or fairly new firms, many KPEP clients in the tourism industry lack basic knowledge related to this type of tourism and are unaware of international best practices. World Learning has approved KPEP’s application for a group of 10 firms to attend a training program in Bulgaria and Austria in March 2010, where they will learn how internationally competitive destinations, attractions, tour operators, guides, marketers and sales operations are established and successfully managed. Participants will have first-hand points of reference and be able to better apply lessons learned from the best practices experienced. Following this training, KPEP will work with the participants and other KPEP tourism clients to apply this new knowledge to improve current service offerings and their promotion.



### Objective 3: Strengthen market linkages with regional tour operators

Anticipated Results	
Increased interest by at least two tour operators to include Kosovo in regional itineraries leading to increased sales from regional sources.	
Activities	Status
1. Collaborate with regional tour operators	1. Ongoing
1st Quarter Progress	
<b>Progress under this objective is on track.</b>	
In addition to targeting internationals in Kosovo, KPEP and its client companies are increasingly focusing on linkages with regional, and to a lesser extent, international tour operators as an additional promising customer base.	
A group of Kosovo tourism providers participated in the World Travel Market fair in London last year (organized by MTI and sponsored by GTZ), where they made many new contacts and generated several contracts. The Kosovo participants were pleasantly surprised at the strong interest in Kosovo as a destination for alternative tourism. The Kosovo Tourism Group	

(KTG) established partnerships with the travel agency "Magelan Cooperation" from Serbia and "Hintz Travel and Tours" from Nigeria. Rugova Experience was interviewed on BBC NEWS which featured Kosovo as a new travel destination. TPD Consulting generated the highest sales (€12,000), through cooperation with Regent Holidays from the UK hosting over 180 tourists in organized tours (these are tours with pre-defined itinerary for targeted clients of RH), excursions, and city break tours.

Several Albanian tour operators have indicated their interest to include Kosovo in regional tour packages. As result of the KPEP-supported tourism promotion event in Albania last year, Intours&Travel signed a partnership agreement with "Key Tours" from Albania to organize regional wine tours targeting tourists from Japan and Israel; and TPD Consulting signed agreements with four tour operators from Albania, Serbia, Montenegro and Macedonia to organize a regional tour for a group of French tourists.

Besides Albania, KPEP considers Turkey as another source market with great potential. There are several millions of Turkish citizens of Albanian origin. To match Kosovo experience providers with tour operators from Turkey, KPEP is planning to organize a promotion event in the spring of 2010 in Izmir, the home of about 1.5 million ethnic Albanians.

KPEP is supporting an initiative developed by USAID Washington for the publication of a supplement to the National Geographic Travel Magazine, which will highlight best tourism destinations and attractions in up to six countries in Western Balkans (Albania, Bosnia, Macedonia, Montenegro, Serbia, and Kosovo). KPEP will cost share with MTI and Care International. This supplement will be distributed to the over 200,000 subscribers of National Geographic.



## 2. SECTOR: RECYCLING

**Sector Strategy:** Though progress has been made in identifying collectors/processors, and establishing good sources of PET waste, constraints to growth in the plastic recycling industry continues to be the absence of large-scale collectors/processors or efficiently organized groups of small-scale businesses that can profitably collect PET waste at its presently low prices. In KPEP's first year we gained a clearer understanding of the recycling sector, with an emphasis on PET. Our strategy in the second year will be to continue to pursue a national recycling program for PET while at the same time supporting small scale waste collectors on a pilot basis.

### ■ Success Stories ■

As a result of a commercial linkage between the NGO Lulebora and the Macedonian company Greentech, facilitated by KPEP in Year 1, a first export of 10 tons of PET in the amount of €1,400 was generated in this quarter. This initial export can open the doors for Lulebora to establish an ongoing partnership with Greentech who is interested investing in Kosovo in the near to medium term future.

KPEP has assisted the company MEA establish a business relationship for PET collection with the American KFOR Camp Bondsteel. In the first two months, MEA collected 6 tons (250m3). Collections will continue on an ongoing basis, as the camp generates large amounts of PET waste. This transaction will impact positively the recovery rate of PET in Kosovo.

The results of an operative and financial feasibility study which is planned for September and October will further help KPEP determine the viability of launching an efficient and economically viable plastic recycling activity in Kosovo. We plan to adopt the model of the USAID Plastic Recycling Project in Macedonia which included a GDA grant and foreign direct investment. In the meantime, we will continue working with existing recycling companies and processors to identify incentives for the collection and export or processing of plastics and other recyclable materials as well as support creative initiatives and commercial linkages that result in value added measures in Kosovo.

Finally, because many companies need to work with a number of complementary recyclables in order to be profitable, KPEP plans to expand its research into the sector to include aluminum, paper, wood and glass.



### Objective 1: Assess the viability of a sustainable national program for PET recycling based on the Macedonia model

Anticipated Results	
The feasibility study will demonstrate the viability of a sustainable nationwide recycling program for PET plastic. If findings are positive, early implementation steps will be undertaken. The long term expected results are increased investment, new jobs, and greater revenue in the plastic recycling sector.	
Activities	Status
1. PET Plastic Recycling Feasibility Assessment	1. Completed
2. Implement measures to establish a sustainable nationwide recycling program for PET plastic	2. Ongoing marketing efforts (nationwide program is beyond the scope of KPEP)
1st Quarter Progress	

**This is a difficult market segment to work in. While the KPEP commissioned feasibility study was completed, the scenarios suggested by it are mostly outside of KPEP's ability to implement. We will share the recommendations with USAID and other donors. KPEP will pursue smaller and more narrowly defined initiatives.**

### **1. PET Plastic Recycling Feasibility Assessment**

KPEP contracted MDC-TI.Net from Macedonia to conduct a review of the PET recycling sector in Kosovo and to develop a feasibility assessment for a nation-wide PET recycling initiative. According to this study, PET is the least collected plastic in Kosovo (5 percent recovery rate) even though approximately 10,000 tons of PET waste is generated in Kosovo every year. Current market prices, while rising, do not yet provide sufficient incentive for collectors. Because of the unreliability of the supply and the typically small volumes of PET in Kosovo, importers from neighboring countries pay 15-20 percent less to Kosovo dealers than the going price in the region.

### **2. Implement measures to establish a sustainable nationwide recycling program for PET plastic**

Findings from the study showed that the costs for establishing a nationwide recycling program for PET plastic are beyond the scope of KPEP, both in terms of cost and duration. As a result, KPEP will market the program recommendation to other donors, and at the same time continue with small scale recycling activities.

Recommendations from the study also indicate that effective PET collection by municipalities has the potential to significantly increase PET recovery rates, and in a much wider area than is currently the case.

KPEP has identified a cooperation opportunity with the Regional Environment Center (REC) which is currently implementing Local Environmental Action Plans (LEAPs) in five municipalities in Kosovo – Peja, Gjilan, Gjakova, Ferizaj, Prizren. REC can make up to €40,000 available, which is to be matched by €20,000 on the part of the municipalities. Waste Management is one of five possible focus areas that these plans are designed to address. Gjakova has chosen waste management. KPEP has indicated to the municipality our interest in supporting them with a waste sorting facility. If this pilot program is successful, KPEP may select additional municipalities for the implementation of this model over next years. Once a critical scale of implementation is reached, a nation-wide consumer awareness campaign could be launched.



**Objective 2: Expand pilot recycling efforts, establish commercially relevant linkages, and promote organization and cooperation in small-scale private waste collection sector**

Anticipated Results	
To establish stronger links between waste collectors, sources of material and potential value adding processors and buyers in Kosovo. In the long term we anticipate increased quantities of plastics and other waste materials recycled, greater investment, more value added processing of waste, increased revenues and exports, and more jobs.	
Activities	Status
1. Assistance in establishing linkages	1. Ongoing

between collection companies, sources of supply, and markets and targeted support to small scale collectors and waste processors as needed	
1st Quarter Progress	
<p><b>KPEP has undertaken a number of initiatives under this objective. However, the results are not yet significant.</b> Acting against us is the low price offered for PET waste, which does not provide sufficient incentive for collectors to collect PET for export, in the absence of a domestic recycling firm.</p> <p>As the PET feasibility assessment indicates, current market prices, while rising, do not yet provide sufficient incentive for the PET collection. This fact has adversely affected KPEP initiatives to facilitate stronger links between waste collectors and dealers to increase the volume of PET waste collected and thus create a more reliable supply for importers from neighboring countries. A flash survey conducted in November with 14 collection companies to explore opportunities for linkages between them showed that none had PET in stock.</p> <p>However, KPEP has succeeded in initiating a number of small scale linkages, among them</p> <ul style="list-style-type: none"> <li>• A linkage between the collector MEA and the USAID Effective Municipalities Initiative Project (EMI) for collection of paper waste.</li> <li>• A linkage for non-baled PET between the NGO Lulebora and the company ALCOM, whose core business is metal scrap, but also collects other materials.</li> </ul> <p>Pilot recycling efforts were expanded by assisting MEA to collect PET from the American KFOR Camp Bondsteel which resulted with 6 tons (250m3) collected within two months and will continue further next year. KPEP will continue work with MEA to identify value added measures that may be supported.</p> <ul style="list-style-type: none"> <li>• As a result of a KPEP-facilitated linkage between Lulebora and the Macedonian company Greentech yielded 10 tons PET for export of €1,400 in value. Greentech has indicated that it would buy all the PET waste that Lulebora can collect. Lulebora has succeeded in expanding its facilities and purchasing additional equipment. We expect this business relationship will continue.</li> <li>• KPEP made a connection with Greentech, who is interested in establishing a presence in Kosovo in the near to medium term future. Such an investment could have a significant impact on the efficiency and the size of the sector.</li> </ul> <p>KPEP polled restaurants in Pristina about their interest in a PET recycling awareness campaign. We learned that the restaurants use mostly glass bottles, and that most do not have space to store bottles until they are picked up. The collectors, on the other hand, commented that the volumes generated from a limited number of restaurants would not be sufficient to make pick up worthwhile to them.</p> <p>KPEP's FDI team assessed the financial viability of the company Krroni, the only (potential) PET recycler in Kosovo. The company invested €220,000 in equipment and facilities for PET recycling. However, the operation is currently idle due to technical and financial issues. The assessment determined that the business can be quite profitable. It is our understanding that Krroni plans to start operations in early 2010. Having an operating PET recycler in Kosovo could significantly improve PET recovery – it could offer better prices to collectors, incentivizing them to collect, and as a result of higher collection volumes, command a better price from importers in other countries of recycled PET, not simply crushed and baled PET.</p>	

### 3. SECTOR: ENERGY EFFICIENCY

**Sector Strategy:** Our initial research in this sector shows potential, especially in coordination with other components of the program, including construction and forestry. The building materials sector could have potential for improving the standards for energy conservation and in the forestry sector biomass could serve as a source of renewable energy. Therefore, KPEP's strategy for Year 2 is to upgrade energy to a transactional sector. We will focus on discrete initiatives that will help the sector increase sales, exports, employment, and attract FDI. KPEP will complete a feasibility study for energy efficiency and/or renewable energy production and implement selected recommendations.



#### Objective 1: Implement selected interventions recommended by the feasibility study

Anticipated Results	
KPEP will achieve a better understanding of the energy efficiency and/or renewable energy opportunities in Kosovo. In the long term we hope to grow or create a series of profitable businesses providing products and services related to energy efficiency and renewable energy. These firms will attract new investment, increase sales, and create new jobs. Harder to quantify will the beneficial environmental and economic effects on the nation from using energy more efficiently.	
Activities	Status
1. Conduct feasibility study on energy efficiency and implement selected recommendations	1. Feasibility study completed; selected recommendations in process of implementation
1st Quarter Progress	
<p><b>The results under this objective have been less than satisfactory.</b></p> <p>There is no legislation in place that requires the production of energy efficient materials. As a result, there is little incentive to produce or buy them, since the costs are currently above standard products. KPEP is planning to provide technical assistance to a limited number of building materials manufacturers, and to support a project for geothermal energy generation, to be implemented by the American University in Kosovo.</p> <p>At the beginning of the quarter, KPEP conducted an in-house analysis of the energy efficiency sector in Kosovo, including related pending legislation, to gain a better understanding of opportunities for project interventions. In addition, KPEP conducted a survey of 18 manufacturers of construction materials regarding their interest in, and awareness of, energy efficiency.</p> <p>Our findings indicate the best course to pursue is to concentrate efforts on energy efficient building materials, including windows and doors. In order for customers who are building a house to be informed enough to demand energy efficient products, or for a savvy developer to promote (real) energy efficient construction as a marketing mechanism to attract customers, manufacturers of construction materials have to be able to publish credible technical information about their products that is both reliable and independently tested in accordance with standardized test procedures.</p> <p>At the same time pending energy legislation, if approved, will be an excellent opportunity for local manufacturers of construction materials. For example, the administrative instruction No. 09/2008 on energy audits intends the institutionalization of energy audits aimed at enhancing energy efficiency in Kosovo. In order for local manufacturers of construction materials to</p>	

take advantage of these future requirements and demands, they need to be prepared in advance. Enabling them to do so, will be a focus area of the building materials subsector in Q2. The windows and doors producer ABC Plast is an example of a likely client for this planned initiative

KPEP has further identified an opportunity in the area of renewable energy. The American University in Kosovo (AUK) is developing a project for the installation of a geothermal heating and cooling system, and for a solar water heating system. This will be the first commercial scale geothermal project in Kosovo, with important demonstration and education effects. KPEP will work with AUK to determine ways and scope of cooperation.

## C. INFORMATIONAL SECTORS

**Sector Strategies:** The informational sectors include Fishing and Aquaculture; Textiles Apparel, and Leather; Printing and Recorded Media; and Fabricated Metals and Auto Parts.

In Fabricated Metals and Auto Parts sector, the first year strategy focused on seeking transactional opportunities to increase sales and provide complementary support to GTZ already active in this sector. KPEP supported Gorenje Elektromotori (GE), a manufacturer of washing machine motors, in developing its export strategy. The results of the research revealed that demand for washing machine motors in Europe has seen a tremendous decline and China has established itself as a leader in manufacturing low cost motors. The automotive industry has suffered as well following the worldwide financial crisis. As a result of these factors, the progress in this sector has been slow and KPEP is not achieving results. Our strategy for year two is to downgrade this sector to informational. We will continue monitoring the sector and if an opportunity arises KPEP will consider reevaluating the strategy for this sector.

Fishing and Aquaculture; Textiles, Apparel, and Leather; and Printing and Recorded Media will remain informational sectors and KPEP will continue to monitoring developments in these sectors to determine if there are opportunities that warrant project support. As noted earlier, energy efficiency, which had been an informational sector has been elevated to transactional for year two.



### **Objective 1: Research the informational sectors and identify viable opportunities for possible KPEP interventions**

Anticipated Results	
KPEP will achieve a better understanding of the market potential for informational sectors. When targets of opportunity are identified, selective KPEP interventions result in measurable results in terms of investments, sales, jobs, and/or exports.	
Activities	Status
1. Continue to monitor and study the Fishing and Aquaculture sector	1. Ongoing
2. Perform a market survey and identify key apparel designers in Leather and Textiles sector	2. Ongoing
3. Continue to monitor and study the Printing and Recorded Media sector	3. Ongoing
1st Quarter Progress	
We have not spent many resources on these activities in the first quarter. We held a coordination meeting with GTZ regarding their work in the fish sector and discussed what additional opportunities there are in this field. With regard to the other two activities, KPEP plans to undertake them in the upcoming quarters.	

## II. COMPONENT 2: BUSINESS SUPPORT SERVICES

**Component Strategy:** The Business Support Services (BSS) Component aims to ensure that businesses in Kosovo have the necessary business and technical support services available to them. BSS defines the term “business service provider” (BSP) broadly, encompassing private firms, partnerships, individual consultants, non-government organizations (NGOs) and associations.

During this quarter, in agreement from USAID, the BSS component focused greater attention on support and assistance to associations. The BSS team continued to work with associations to build their capacity, using the annual results of the Association Development Index (ADI) to prioritize activities.

The project’s support to associations is based on two main criteria: 1) the strategic nature of the association with regards to KPEP objectives, and 2) the commitment of the associations to work with KPEP and take ownership over their own development. Those associations which fulfill both criteria are considered “Tier 1” associations and are the recipients of the bulk of project resources in this area. BSS will continue to evaluate this group of associations going forward, ensuring that the project is supporting those associations which show the most promise.

As a result of the Component review and in consultation with USAID, BSS adjusted the language of the three objectives to more accurately capture the goals of the component. In addition to this, the following reflects actual changes to the work plan of activities.

### OBJECTIVE 1:

Activity Number 2 “*Strengthen associations in targeted sectors to provide services to members on a fee basis*” is moved as an activity under Objective 3, due to the substantial similarity with other activities within Objective 3.

Activity Number 3 “*Support participation in trade fairs*” is moved as an activity under Objective 3, due to the substantial similarity with other activities within Objective 3.

### OBJECTIVE 2:

Activity Number 2 “*Continue to develop lawyers and business consultants.*” The title of this activity is changed to “Continue to develop lawyers” due to the implementation focus and the target audience.

Activity Number 4 “*Collaborate with TAMBAS*” has been dropped

Activity Number 5 “*Organize an implementers’ round-table*” is a new activity added under this objective “Implementers Round-Table”

#### ■ Twinning Local Consultants ■

5 local consultants were twinned with international STTAs in different fields. BSS formalized the internal process to ensure the best matches and to evaluate the impact of the program on the local consultants.

“I have benefited by having the possibility of exchanging information on construction management, the importance of continuous education for overall industry stakeholders the necessity of technical specifications of construction materials and products, and the strengthening and respecting of relationships of industry stakeholders.”

Fitim Muqaj, local architect, twinned with  
Jeffrey Callahan, International STTA



**OBJECTIVE 3:**

Activity Number 7 “***Provide advocacy and legal Support***” is a new activity added under the objective “Advocacy and Legal Support” to the Kosovo Chamber of Commerce.

Based on these revised priorities, BSS implemented successful activities that have provided tangible and measurable results as explained below.



Picture 1: Associations Training



Picture 2: Trade Fair Training



Picture 3: Dairy Expert

**Objective 1: Support KPEP target sectors through capacity building of technical service providers to address critical issues and constraints of particular relevance to the sector.**

Anticipated Results	
KPEP intends to enhance the skill set of business consultants who are able to meet the needs of the KPEP sectors and thereby contribute to the achievement of sector results as well as increase the revenue of local consulting firms.	
The long-term impact of these activities is to build a cohort of talented service providers in the local economy.	
Activities	Status
1. Twin international KPEP consultants with local consultants	1. Ongoing
2. Strengthen associations in targeted sectors to provide services to members on a fee basis (MOVED)	2. <b>Moved to Objective 3</b>
3. Support participation in trade fairs(MOVED)	3. <b>Moved to Objective 3</b>
1st Quarter Progress	
<b>Progress against this objective is satisfactory.</b>	
To enhance the skill set of business consultants who are able to meet the needs of the KPEP sectors and contribute to the achievement of sector results, five local consultants were twinned with international advisors on the following projects:	
<ul style="list-style-type: none"> <li>Non Wood Forest Products - Jakob Modeer (STTA) &amp; Muhamed Disha (LC)</li> </ul>	

- Illegal Logging - Patrice Harou (STTA) & Ergin Hajredini (LC)
- Vegetable Marketing Strategy - Marilyn Phillips; Andriy Yarmak (STTAs) & Ardian Ponosheci (LC)
- Dairy Technology Course - Dragi Mihajlov (STTA) & Benjamin Alili (LC)
- Growing Opportunities for Kosovo Building Materials Manufacturers – Jeffrey Callahan (STTA) & Fitim Muçaj (LC)

To facilitate this activity, the BSS team formalized an internal process, developed a process map and flow chart, and drafted a written procedure to document and evaluate the process to twin the international advisors with local consultants.

As a result of the five pairings, participants have reported the following results:

- Improved technical knowledge and exposure to international best practices and standards
- Enhanced ability to prepare a timetable and prioritize list of tasks to be performed
- Improved ability to identify and communicate with relevant stakeholders

In addition, through the project's cross-cutting initiatives, the BSS team supported numerous activities for consulting companies with the intention of increasing revenue. For example, this quarter, KPEP supported a project to implement Project Management Certification in Kosovo. According to the manager of the company, it is anticipated that the addition of this capability will result in a 20 percent increase of revenue.



**Objective 2: Build the capacity of the consulting and commercial legal profession to strengthen general consulting and business skills leading to a more broad based and sustainable industry**

Anticipated Results	
KPEP anticipates training 20-30 business consultants and 20-30 business women, enhancing skills for business consultants and increasing employment and revenue among BSPs.	
The long term impact of this objective will be to build a strong cohort of local consulting firms, critical in a vibrant economy. In addition, training tailored to female business associates will address the needs of an under-represented group in Kosovo's business sector.	
Activities	Status
1. Conduct training on capacity building for business consultants	1. Pending
2. Continue to develop lawyers (Renamed)	2. Ongoing
3. Conduct training for female business associates	3. Ongoing
4. Collaborate with TAMBAS	4. Dropped
5. Organize an implementers' round-table (NEW)	5. Ongoing
1st Quarter Progress	
In Q1, KPEP re-evaluated the activities under objective 2, seeking to refine the work plan to reflect the most pressing priorities for this objective. To inform this decision, KPEP is planning to convene an implementers' roundtable in February to learn what others are doing	

to support business service providers. This will enable KPEP to most effectively allocate resources to the most pressing programming areas which are not already funded by others.

### **1. Conduct training on capacity building for business consultants**

This activity will be re-evaluated, and if found impactful, be implemented in Q2.

### **2. Continue to develop lawyers**

KPEP will continue to support business consultants, commercial legal entities, and other fee-for-service businesses with ongoing capacity building activities. Over the course of Year 2, the BSS team in cooperation with the BEE team, plans to widen the target audience for the Commercial Legal Practice Training to include young lawyers who are interested in commercial practice, but who have not yet taken the bar examination. This will significantly increase the numbers of lawyers able to efficiently provide business legal advice to the private sector for reasonable fees. The training will include practice and consultation principles, ethics, and basic commercial legal advice techniques and substance. This activity is planned for March.

### **3. Conduct training for female business associates**

KPEP has moved forward with preparations to conduct a training and mentoring program specifically for female business owners and business consultants. In an effort to reinforce the support services provided by female Kosovo business consultants, KPEP plans to engage local consultants to join an international advisor in the program to build the capacity of female business owners. The program will therefore have a dual objective: 1) helping female Kosovo business owners on how to better manage their businesses, and 2) enhancing the consulting skills of female Kosovo business consultants. The BSS team has prepared a scope of work for this activity which is currently under review.

### **4. Collaborate with TAMBAS**

This activity which specifically targets collaboration with TAMBAS has been replaced by objective 5, which expands collaboration to all relevant stakeholders through the implementers' round table.

### **5. Organize an implementers' round-table**

KPEP is planning to convene an implementers' roundtable in February 2010 to learn what others are doing to support Kosovo business service providers. This will enable KPEP to most effectively allocate resources to the most pressing programming areas which are not already funded by other stakeholders. The BSS team has identified and invited implementers with specific projects or activities which support Kosovo's business service providers. The round-table is scheduled for February 12, 2010. BSS looks forward to refining the activities in this objective and reporting on specific intermediate results in Q2.



**Objective 3: Enhance the internal organizational capacity of associations as well as their ability to offer products and services to their membership, including advocacy on behalf of the industry**

#### **Anticipated Results**

KPEP's objective is to enhance the ability of associations to provide value to members, raise revenue through products and services, and advocate effectively in priority sectors. KPEP will increase association membership and improve understanding by the Government of Kosovo and other stakeholders of the role and contribution of associations. The long-term

impact will be the development of stronger associations that will facilitate the success of local companies and will boost the overall competitiveness of the sectors.

Activities	Status
1. Association Strategic Management & Leadership Training (Tier 1)	1. Completed
2. Encourage partnerships with international associations in the same sector (Tier 1 & 2)	2. Ongoing
3. Support the Dairy Associations (Tier 1)	3. Ongoing
4. Support the ICT Association (Tier 1)	4. Ongoing
5. Support the Wood Association (Tier 1)	5. Ongoing
6. Support the Construction Associations (Tier 1)	6. Ongoing
7. Provide advocacy and legal Support (NEW)	7. Ongoing
8. Strengthen associations in targeted sectors to provide services to members on a fee basis	8. Ongoing
9. Support participation in trade fairs	9. Ongoing

#### 1st Quarter Progress

**Reflecting the increased priority that BSS is now placing on work with associations, the team implemented several activities under Objective 3. Progress is considered satisfactory.**

KPEP implemented the Association Development Index (ADI) for a second time at the beginning of October, 2009. The mean score increased from 1.75 from the first ADI in January 2009 to 1.88 in October 2009. This modest improvement reflects the work of KPEP and others working to enhance the capacity of business associations in Kosovo. The results of the ADI represented one of the primary inputs into the development of Year 2 work plans with KPEP's priority associations.

#### **1. Association Strategic Management & Leadership Training (Tier 1)**

KPEP implemented the Association Strategic Management & Leadership Training in Pristina over a period of 2 days. The training was led by the international consultant Bob Stapp, and included participation from 15 Kosovo business associations. Following the two day training, Bob Stapp engaged in coaching sessions with seven associations to provide technical assistance in support of the associations' specific needs and priorities. The sessions also provided KPEP with additional insights about the operations and activities of several associations and helped the team refine the strategic focus of technical assistance moving forward.

The training and one-on-one mentoring sessions have helped focus associations on the key activities which will enable them to provide additional value to their members. In some

instances, this will be through the development of new products and services.

## **2. Encourage partnerships with international associations in the same sector (Tier 1& 2)**

KPEP submitted a study tour request for a trip to Slovenia for four associations to World Learning. The focus of the tour will be advocacy, policy options, and decision making. The tour is proposed for March. The study tour is expected to improve the capacity of associations to launch advocacy campaigns in Kosovo, including how to reach out to Government officials who may not be receptive initially.

## **3. Support the Dairy Associations (Tier 1)**

KPEP facilitated a meeting of the Executive Directors of two Kosovo dairy associations, KAMP and KDPA, with staff from MAFRD and MTI to discuss the issue of subsidized dairy imports. KPEP remains committed to collaborating with the dairy sector to ensure progress on this issue. The dairy associations increasing their capacity to advocate on behalf of their members and are beginning to establish policy positions on subsidized dairy imports.

## **4. Support the ICT Association (Tier 1)**

KPEP supported the ICT Association through the multi-sector association training and individual coaching sessions. The individual meetings focused on the following areas:

- Revision of the association's statute
- Revision of the operational expenses budget for 2010
- Revision of the annual work plan

Because the ICT association is still in the early stages of development, support going forward will continue to focus on organizational development and strategic planning. KPEP's work with the ICT association has capitalized on the energy and enthusiasm of the association's new leader, ensuring that the association is well-structured to support and advocate for its members. KPEP's support for the implementation of a survey of the ICT sector has also contributed to the association's ability to provide information and services for its members.

## **5. Support the Wood Processing Association**

KPEP supported the wood processing association through the multi-sector training and individual coaching sessions. From these sessions, the BSS team developed a specific action plan that identified and performed activities to improve association management. This activity complements the GTZ's program. The BSS team has identified specific ways to support the wood association going forward, including the development of a strategy to ensure collection of membership fees. KPEP's support to the wood association is currently focused on increasing the receipt of membership dues, which will enhance the association's financial sustainability and ability to provide services for its members.

## **6. Support the Road Construction Association**

BSS supported the construction association through the above-mentioned multi-sector training and individual coaching sessions. BSS has discussed with the association the development of a Quality Standards bulletin and ISO certification requirements for its members. BSS has facilitated a meeting between the association and a local consulting company. The association aims to help its members prepare for the audit and inspection for the ISO certification process.

**Results:** With the help of KPEP, the construction association is looking to facilitate the achievement of international standards in the sector, which will raise the professionalism and quality of the sector overall.

**7. Provide advocacy and legal Support**

KPEP plans to engage in advocacy activities which will leverage the expertise of the Kosovo Chamber of Commerce. Additionally, training activities will focus on organizational development and governance. KPEP has begun to support associations in the area of advocacy. Activities will aim to build the capacity of associations to advocate for key issues as well as improve the understanding by Kosovo Government officials of the role of associations in the policy making process. Associations have expressed an understanding for the need to play an enhanced role and have communicated enthusiasm to gain skills in this area.

**8. Strengthen associations in targeted sectors to provide services to members on a fee basis**

KPEP formalized a procedure to support the variety and quality of services that associations provide to their members on a fee basis. The BSS team worked with KPEP sector staff to support the following activities:

- AWPk – Trade Fair participation in Albania: 15 wood processing companies paid the participation fee to the association.
- STIKK – Job Fair: 6 out of 8 IT companies that participated on job fair paid the participation fee to the association.
- KDPA - Dairy Technology Course: 4 companies participated in the course and paid the participation fee to the association.

As a result of this process, three business associations within KPEP's tier 1 group have increased financial sustainability and new member services.

**9. Support participation in trade fairs**

KPEP created a training module from the Trade Fair Manual. The module includes a power point presentation in three languages (Albanian, English, and Serbian). The BSS team delivered the training to associations upon request and to those company representatives who participated and will participate in KPEP-sponsored trade fairs. On November 20, the BSS team delivered the training to the Avenija Association. Next steps include an expansion of the training to include a module on sales agreements.

As a result of this activity, associations are better able to establish meaningful goals, plan association's strategy, and measure the return on investment. They also can implement powerful marketing initiatives to engage potential buyers.



### III. COMPONENT 3: BUSINESS ENABLING ENVIRONMENT

**Component Strategy:** The BEE team targets key legal and regulatory barriers in KPEP-relevant value chains. In some environments these barriers are predominantly gaps in legislation. In Kosovo, however, these barriers are almost exclusively related to implementation of legislation – principally, the absence of implementing regulations, paucity of funding for what is often over ambitious government oversight of the economy, and the lack of capacity in the responsible ministries and agencies. The BEE approach to supporting KPEP’s objectives will continue to focus energy on implementation failures and difficulties wherever there is the highest likelihood for success as measured by growth in the sectors. This demand-driven approach supports KPEP targeted sectors through consultation with KPEP specialists, the private sector, government officials, and other donors.

BEE continues to employ three additional strategies in support of KPEP’s objectives for growth:

- The first is the continued effort to target high-impact areas of general business enabling environment relevance. This includes areas that generally affect many or all of the KPEP sectors but which are not especially dependent upon emergent issues. These types of intervention can, therefore, be more easily planned ahead. But, since many of these issues are more substantial than KPEP’s resources allow, focus on these will be highly selective.
- The second strategy focuses on the trade environment. Increased capacity for trade is critical to the success of KPEP’s objectives, and much of the lack of capacity centers on the business enabling environment. For example, even basic understanding of the regional agreement that should facilitate huge increases in trade is sorely lacking. The BEE team builds general capacity as well as work in a more ad hoc fashion to facilitate individual cross border trades.
- The third strategy comprises the legal and regulatory needs inherent in the building of foreign direct investment. This is another demand-driven strategy and will be responsive to specific issues raised by potential investors and will be delivered in the form of

#### ■ Success Stories ■

##### **The New Business Destination**

KPEP teamed up with the Government of Kosovo and the British Chamber of Commerce for an Investment Promotion Conference in London in November. The event allowed the BEE Team to present KPEP as a “cushion” for potential investors, offering them answers to investment and regulatory questions, as well as potential assistance with issues such as trade, workforce development, and association building. Attracting foreign direct investment is a critical component in Kosovo’s economic growth, and KPEP can be a great partner to ease the entry for investors.

A number of varied bodies were present to speak up for Kosovo’s investment climate. This included several Government of Kosovo institutions, such as the Ministries of Economy and Finance, Trade and Industry, and Transport and Telecommunications. KPEP presented on opportunities that were identified by the KPEP FDI advisor in order to support potential investors. Other support came from the, British Chamber of Commerce, DfID, CEO of ProCredit Kosovo and UK Ambassador to Kosovo, Andy Sparkes, who were warmly welcomed by the UK Business Community.

##### **Advocacy Roadmap and Strategy**

No one knows how the legal system effects the private sector better than the private sector itself; yet, most businesses and trade associations have difficulty influencing the legislative and regulatory process because they do not understand where when and how they have opportunities to be heard.

KPEP’s Advocacy Roadmap will provide a graphical description of the points at which the private sector can get involved in the legislative process and intervene in its won interests. An Advocacy Strategy Guide, planned for Winter 2010, will address the approach and methods the private sector should use in advocating general reform or specific revision of a piece of draft legislation. Both documents will be tested in use with Kosovo Chamber of Commerce and the American Chamber of Commerce of Kosovo before wider release



exploration, analysis of, and where appropriate, intervention in, the laws and regulations protecting investment.



Picture 1: KPEP BEE Presentation to KFOR Legal Advisors



Picture 2: London Investment Conference



Picture 3: FDI Presentation to New MFA Hires



### **Objective 1: Support KPEP target sectors through Demand-Driven achievements in the Business Enabling Environment**

#### **Anticipated Results**

Results focus on improved legal framework in highly relevant areas through revision or termination of at least six draft laws or policies, as well as the better implementation of existing laws and regulations, leading to increased legal stability for investment. Through policy advice and trainings we also anticipate increased capacity of the GoK to respond to the needs of the private sector. While the final results listed below may appear to include only the passage or reform of legislation or policy, intermediate results also include a better understanding of policy and implementation needs, stakeholder review, policy assessment, and public-private dialogue.

Activities	Status
1. ICT – ccTLD Kosovo Country Code and Domain Registry	1. Ongoing
2. ICT – Collaboration with CLDP on ICT Industry/Legal Community Contracting Skills Workshop and Contracts Manual	2. Ongoing
3. Construction -- Review and Commentary on Draft Construction Law	3. Ongoing
4. Forestry -- Review and make recommendations on Laws relevant to Forest Certification	4. Completed
5. Agriculture – Review of the beverage Excise Tax Policy	5. Ongoing
6. Agriculture – AgCLIR Assessment and Roundtable	6. Completed
7. Energy Efficiency -- Review of and commentary on Draft Energy Efficiency Legislation	7. Ongoing

8. Tourism -- Commentary and Recommendations on amendments to draft Law on Tourism.	8. Completed
<b>1st Quarter Progress</b>	
<p><b>Progress against this objective is on track and meeting results.</b></p> <p>Activities in this area have, as intended, continued to comprise the majority of BEE activity. Results have consistently met objectives and will continue to be chosen based upon their potential impact upon the sectors in which KPEP concentrates.</p> <p><b>1. ICT – ccTLD Kosovo Country Code and Domain Registry</b> BEE supported the ICT sector with preliminary work necessary to establish the ccTLD (Country Code Top Level Domain) registry. This included drafting an Administrative Instruction for the Ministry of Transport and Communications to establish the needed regulatory framework, substantial capacity building collaboration with the Telecom Regulatory Agency, and the development of a roadmap for the implementation of the registry. Further work and final implementation now awaits the entry of Kosovo in the UN Statistical Database. We remain uncertain about whether this will happen, but are prepared to act quickly if it does.</p> <p><b>2. ICT – Collaboration with CLDP on ICT Industry/Legal Community Contracting Skills Workshop and Contracts Manual</b> The BEE Team collaborated with the Commercial Law Development Program (CLDP--U.S. Commerce Dept.) in developing a follow-on program to CLDP's ICT Contracting Program. The second program will include a seminar in contracting for ICT professionals and Commercial Lawyers, and will lead to the development of an ICT Contracting manual that includes model contracts, guidelines and sample terms &amp; conditions.</p> <p><b>3. Construction -- Review and Commentary on Draft Construction Law</b> BEE continues to refine the draft Construction Law and anticipate more involvement in changes to the licensing regime. Support has included drafting a Letter of Agreement between KPEP and Ministry of Environment and Spatial Planning to establish a Working Group for the licensing of Architects and Engineers according to EU best practices. This will continue into the next quarter when the Construction Sector Specialist will commit to a Funded Activity Request upon KPEP and MESP signing the Agreement.</p> <p><b>4. Forestry -- Review and make recommendations on Laws relevant to Forest Certification</b> BEE work in the Forestry sector is focused on KPEP's assistance on forest certification. Reviews of the relevant legislation has led to a better understanding of the legal framework and implementation issues that will likely arise during the certification process.</p> <p><b>5. Agriculture – Review of the beverage Excise Tax Policy</b> A thorough review of the excise tax structure regarding beverage production and import was carried out. The recommendations, which range from leaving the present structure as it is, to cutting excise by 50 percent, were submitted to the Ministry of Economy and Finance and are awaiting action.</p> <p><b>6. Agriculture – AgCLIR Assessment and Roundtable</b> The Agribusiness Commercial Legal and Institutional Reform Assessment (AgCLIR) carried</p>	

out as part of the enhanced AG Framework Activity, was conducted, in part, by KPEP, and offered a unique insight into the BEE needs of the agribusiness community. A number of follow on activities that can easily be undertaken by KPEP were identified, including additional trade training and contracting capacity building in the private sector.

### **7. Energy Efficiency -- Review of and commentary on Draft Energy Efficiency Legislation**

KPEP's review of the draft Energy Efficiency Law focused on the legislation's framework and ease of implementation. Once enacted, this law will initially affect a large number of companies that produce/use more than a certain amount of energy and whose energy efficiency must be monitored.

### **8. Tourism -- Commentary and Recommendations on amendments to draft Law on Tourism**

KPEP completed a review of the draft Tourism law and submitted it to the Tourism Department of the Ministry of Trade and Industry. The team also presented the findings of the review personally to the Director of the Tourism Office. We expect a number of the suggestions to be included in the next draft of the law.



## **Objective 2: Facilitate improvement in competitiveness indicators through targeted achievements in the Business Enabling Environment**

### **Anticipated Results**

KPEP expects improvement in the Business Enabling Environment generally, as evidenced by improvements in the CLIR Indicators, and for KPEP's sectors particularly, as evidenced by steps accomplished in the Policy Index as well as anecdotal information. In the long run, BEE will contribute to growth in revenues, jobs and exports will be reducing policy barriers to economic growth. Furthermore, the BEE component will increase legal stability for investment; and lower barriers to entry for new businesses.

<b>Activities</b>	<b>Status</b>
1. Commercial Legal Training for Lawyers and Business people	1. Planned
2. Advocacy Roadmap	2. Ongoing
3. Presented KPEP to KFOR Legal Advisor Corps (LEGAD) Conference	3. Complete
4. PPP Model Contracts	4. Ongoing

### **1st Quarter Progress**

**KPEP is on track to achieve the anticipated results under this objective in the coming year.**

KPEP measures its success in the general business enabling environment according to improvements in the Commercial Legal and Institutional Reform Index, the KPEP Policy Index, and anecdotal results in the business community. Though this quarter saw less activity in this area, partly due to the higher than usual concentration on agriculture (AgCLIR), plans for work in the coming quarter are ambitious.

**1. Commercial Legal Training for Lawyers and Business people**

After the success of the first Commercial Lawyers Training Program in early 2009 in collaboration with ABA-CEELI, KPEP has developed a program and curriculum for an expanded follow-on program that will open the training to a wider audience of newly practicing lawyers. Significant benefit is expected to accrue to the private sector through the enhancement of capacities of the legal community.

**2. Advocacy Roadmap**

The Advocacy Roadmap, a graphical and narrative tutorial on private sector input into the legislative process, has been completed, and when combined with the Advocacy Strategy in the coming quarter, will be rolled out in a training to the Kosovo Chamber of Commerce and American Chamber of Commerce of Kosovo. As the private sector becomes more familiar and comfortable with advocating effectively on its own behalf, we expect the GoK to become more responsive to the needs of the business community. We would also expect to begin to see resulting improvement to the CLIR Indicators, which are based on best practices analyzed primarily from the perspective of the private sector.

**3. Presented KPEP to KFOR Legal Advisor Corps (LEGAD) Conference**

The BEE team represented KPEP at the KFOR LEGAD conference, highlighting KPEP objectives and achievements, as well as support that KPEP can provide in the BEE arena.

**4. PPP Model Contracts**

While BEE continues to explore opportunities for KPEP-relevant PPPs, such as in forestry and Vocational Education, we continue to await full implementation of the PPP framework in the Ministry of Economy and Finance.



**Objective 3: Assist key public and private entities to understand rights and obligations under existing bilateral and regional trade agreements, comply with the terms of such agreements, and be able to assert and defend rights and privileges created by the agreements**

Anticipated Results	
Anticipated results include higher commercial legal and negotiation capacity among all GoK ministries and agencies with some impact on Kosovo's trade integration, with a higher and improved ability to not merely understand CEFTA and other obligations but also be able to assert the country's rights and remedies under CEFTA. Success can be measured by progress on the Policy Index as well as increased exports of value added products and imports of raw materials for value added processing in Kosovo.	
Activities	Status
1. CEFTA/Trade Best Practices Training	1. Ongoing
2. Development of a Customs Enquiry point required for further regional/global trade integration.	2. Ongoing
3. Excise Tax on Non – Alcoholic Beverages	3. near completion
1st Quarter Progress	

**We have categorized our progressed as less than satisfactory mainly because of difficulty in securing cooperation from the GoK.**

Kosovo's capacity for growth in exports and raw materials imports remains critically low. This is partly due to insufficient focus by the GoK and donors, and partly due to an approach to trade by the GoK that links it more to politics than to economic growth.

### **1. CEFTA/Trade Best Practices Training**

KPEP is actively pursuing opportunities, in collaboration with World Learning, to provide CEFTA training to relevant GoK officials and functionaries. Because the original choice of the International Trade Centre in Geneva appears not to be an option at the time, we have settled on a plan to engage a consultant in Geneva to arrange a series of one-on-one seminars and workshops with trade officials from individual countries.

### **2. Development of a Customs Enquiry point required for further regional/global trade integration**

Plans are underway to develop and establish a Customs Enquiry point to serve as a model for GoK enquiry point that is needed for further regional/global trade integration. A number of meetings have been held with the Legal Advisor to Customs, Lulzim Rafuna to establish a more detailed and achievable roadmap. Engagement with the AgClir Assessment confined BEE's time in the above activities. However, there have been vital findings in the Ag CLIR draft report that will guide KPEP's approach to trade.

### **3. Excise Tax on Non – Alcoholic Beverages**

The Excise Tax issue was a trade cross-cutting issue that affected domestic producers and processors regional trade with neighboring countries and which would subsequently affect Kosovo's CEFTA membership and its relationship with other regional members. KPEP's involvement in numerous negotiating Working Group meetings with key stakeholders like the Kosovo Business Association, Customs and Ministry of Trade and Industry resulted in a consensus. In order to not compromise Kosovo's relationship with other CEFTA members, it was proposed that the excise tax be modestly reduced to create a stimulus to demand and eventually encourage more formal production. KPEP's recommendations were taken on board by the Working Group as a 'package' and this was sent off to the Minister for Trade and Industry and Minister for Economy and Finance for them to be notified, to deliberate and eventually to implement KPEP's recommendations.



## **Objective 4: Support increased foreign direct investment**

Anticipated Results	
Increased awareness of investment opportunities in Kosovo, enhanced comfort among potential investors in the investment climate of Kosovo, and increased investments in KPEP sectors.	
Activities	Status
1. Capacity Building with Kosovo Diplomatic Corps	1. Ongoing
2. Promotion of Kosovo as an attractive place to invest: in Turkey, Albania, Austria, US. Includes planning for participation in Turkey Investment	2. Ongoing

Conference.	
3. Development of Investment Briefers	3. Ongoing
4. Participation in The London Investment Conference	4. Complete
<b>1st Quarter Progress</b>	
<p><b>Progress under this objective is less than satisfactory, but with some planned changes, including more focus on existing investors and well-researched niche opportunities such as those identified in the AgCLIR and AgSTRAT activities, progress is expected to improve quickly.</b></p> <p><b>1. Capacity Building with Kosovo Diplomatic Corp</b> KPEP presented a one-day workshop to the incoming group of approximately 50 diplomatic and consular staff hired by the Ministry of Foreign Affairs for existing and new missions abroad. The training, utilizing the services of the Economic Initiative of Kosovo (EIKS) was intended to brief the group on the appropriate ways to promote Kosovo to potential investors. The event was quite successful, and follow up programming is planned.</p> <p><b>2. Promotion of Kosovo as an attractive place to invest</b> KPEP has provided initial input into the FDI strategy developed for the government by MDA Consulting. The strategy will be presented for public discussion early next year and is scheduled to be finalized by March 2010. KPEP will provide feedback on the draft, once it is presented.</p> <p>KPEP has provided assistance to an investor from the Netherlands who wants to start a dairy farm in Kosovo. We introduced them to a number of dairy processors to gauge their interest and ability to absorb more milk. The processors' feedback was very positive. The estimated value of the planned investment is €1.3 million.</p> <p>KPEP is in planning with MEF and Kosovo Chamber of Commerce to participate in an investment conference in Istanbul in February, sponsored by the Turkish government</p> <p><b>3. Development of Investment Briefers</b> In October, KPEP retained an international consultant to identify investment opportunities for the Turkish investment community. Together with a local counterpart, he conducted a thorough investigation of potential investment targets. The consultant's evaluation was that Kosovo is not an unknown investment destination, and that most of the opportunities have already been evaluated. However, the investment climate overall is not very conducive to attracting investors. The opportunities that the two consultants identified – in the mining and hydropower sector, primarily, were shared with the Investment Promotion Agency, the Turkish-Kosovo Chamber of Commerce, and were sent in a fax campaign to numerous Turkish companies. The feedback received to date has been minimal.</p> <p><b>4. Participation in The London Investment Conference</b> The BEE Team presented at an investment conference in London co-sponsored by the GoK and the British Chamber of Commerce. The audience consisted of approximately 100.</p>	



## IV. COMPONENT 4: WORKFORCE DEVELOPMENT

**Component Strategy:** Building on our experience in the first year of the project, KPEP intends to continue with the same basic strategy in workforce development. Programs will be of two types: sector-focused training, often very concrete, demand-driven skills development with firms or associations in individual KPEP sectors; and cross-cutting initiatives, which may involve several sectors, and may take a broader, system-building approach to workforce development.

The key objective of this component is sector-focused – the project will support priority KPEP sectors in their competitiveness goals through designing and delivering effective training to firms and associations. KPEP is planning programs for both *future workers* and *current employees* in Year 2. *Future worker* programs will include internships and job fairs and *current (incumbent) employees* will include skills upgrading for the transactional sectors of KPEP.

Furthermore, KPEP will seek to build institutional capacity of workforce development organizations by introducing demand-driven curricula, training, and practical skill-building programs. KPEP's strategy is to develop and pilot programs initially, to demonstrate their viability, then to offer best practices, materials and – where appropriate – instructor or teacher training to local Kosovo institutions that choose to adopt them. The ultimate goal is to make such training available at scale through institutional adoption, and to contribute to growth and improvement of local institutions. In that phase, KPEP will shift to a capacity-building activity, and away from direct service delivery.

Expanded internships and job fairs are a core KPEP strategy, and will be expanded in Year 2, building on the lessons of the first year. New additions to this strategy are Municipal-based Youth Employment Service (YES) centers. An initial feasibility study considered the design features and implementation considerations of establishing YES centers in two municipalities.

Finally, KPEP will support job creation by increasing the entrepreneurial skills of youth. In a slow-growing economy with many more new entrants each year and only a few jobs available in the formal sector, job creation approaches are required. One approach is to support individuals to learn how to plan and develop their own enterprises. The Pilot Entrepreneurship/Micro-Enterprise Training Program is KPEP's first substantial effort in this field.

### ■ Success Stories ■

#### ICT Job Fair

Through two online portals, eight ICT companies announced 26 job vacancies in the ICT sector. The Kosovo ICT Association managed the recruitment process, from the application stage to the interviews. More than 960 candidates applied, 123 applications were shortlisted, and 86 interviews were carried out. 28 potential candidates will be interviewed for the second time.

#### Entrepreneurship Training Program – Start-ups

More than 120 candidates applied to participate into Entrepreneurship training in Prizren and Drenas, of whom 50 candidates (25 in each site), who had most feasible business idea were selected. 50 candidates attended 10 modules for business start-ups, and will receive a certificate for successful completion of the training program and business plan preparation

#### Accounting and Finance training and Internship program

98 students with high average grade from the Faculty of Economy and Finance, sat the written test, 45 successful candidates were interviewed and 25 participated and passed the test from the accounting and financial analysis modules. Seven students are doing a probation with six financial institutions while 18 other students will carry out two months internship with financial institution.





Picture 1: ICT Job Fair—potential candidate being interviewed by CACTUS human resources



Picture 2: Accounting for Tax purposes training – 3<sup>rd</sup> module of financial training program



Picture 3: Entrepreneurship Training in Prizren



### Objective 1: Identify and address critical workforce development issues in KPEP target sectors

Anticipated Results	
<p>The Workforce development team anticipates two levels of results</p> <p><i>Future Worker Initiatives:</i></p> <ul style="list-style-type: none"> <li>• Increase in internships from 30 in year one to a total of 70 in Year 2.</li> <li>• Higher rates of employment among graduates who participate in internships, as compared to their non-intern peers.</li> <li>• Increase in participants in job fairs from 55 in Year 1 to 300 in Year 2</li> <li>• Internship placement from job fairs to 30 in Year 2</li> <li>• Full-time direct employment placement from job fairs to 50 in Year 2</li> <li>• Increased rate of employment of VEC and VTC graduates from their participation in Job Fairs as compared to their non-participating peers.</li> </ul> <p><i>Current (incumbent) workers</i></p> <ul style="list-style-type: none"> <li>• Increased subject matter knowledge as measured by pre- and post-training questionnaire</li> <li>• Increased competitiveness of potential workers in the construction sector through an international-standard level training program in welding.</li> <li>• 1 welding instructor and 1 welding engineer will be trained</li> <li>• KEK training center will be licensed as internationally recognized center</li> <li>• 50-70 incumbent workers in construction will receive internationally recognized certificates on welding.</li> </ul>	
Activities	Status
1. Dairy Internship Program	1. Ongoing
2. Regional Job Fairs <ul style="list-style-type: none"> <li>a. ICT job fair</li> <li>b. Tourism Job fair</li> </ul>	2. Ongoing <ul style="list-style-type: none"> <li>a. Completed</li> <li>b. Planned for Q2</li> </ul>
3. Internship Programs <ul style="list-style-type: none"> <li>a. Wood Industry Internship</li> <li>b. Construction Internship</li> </ul>	3. Ongoing
4. Good Agriculture Practice (GAP) Good Wild Crafting Practice Training	4. Ongoing

5. Building Materials International Standards Training	5. Ongoing
6. Heavy Equipment Operators Training Center	6. Ongoing
7. Develop Curriculum in Furniture Design	7. Ongoing
8. Skills Trainings offered by the ICT association	8. Planned for Q3
9. KEK Training Center Accreditation in welding program (New Activity)	9. Ongoing

#### 1st Quarter Progress

**Progress towards this objective is on track.**

#### 1. The Dairy Internship Program

On October 30, 2009, KPEP organized the final ceremony for the dairy internship program. A survey of participating firms indicated that dairy processing companies were satisfied with the internship since it helped improve the quality of milk and dairy processing companies had better view and accurate information from the field. Ten interns from Veterinary Faculty were certified upon successful competition of the Dairy internship program.

Based on the results of the survey and recommendations from interns and intern coordinator, the WfD and Ag teams prepared the RFP for the 2<sup>nd</sup> phase of the Dairy Internship Program. The program will select the five most successful interns from phase one to mentor ten newly recruited interns during the second phase of the dairy internship program.

#### 2. Regional Job Fairs

**ICT Job Fair** –On December 16, 2009, under contract with KPEP, STIKK organized the ICT Job fair in which 8 ICT companies announced 26 job vacancies. STIKK carried out a number of activities in preparation for the fair including: a survey of employers designed to identify vacant positions in the ICT sector and posted vacancies online; an online application process through two online portals; training on Human Resource Management for ICT companies; and preparing the short-list of qualified candidates and organizing an interview process.

**Tourism Job Fair** – KPEP reached a verbal agreement with Lux Development to jointly organize a Tourism Job Fair. KPEP in cooperation with KOTAS will organize the actual Job Fair event while LUX Development will pay the first salary (€170) for up to 25-30 candidates maximum who will be offered a job or internship. This will reduce the risks of the usual recruitment process for companies and will provide an opportunity for recruited candidates to get on job training.

**Results:** From 960 applications, 86 interviews were carried out. On January 2010, ICT companies will conduct 2nd interview with 28 potential candidates. Significantly, six STIKK members (ICT companies) paid a Job Fair participation fee of 200€, indicating their judgment of the value of the process, and suggesting that such a recruitment process through online application and selection and job fairs can even be considered as a potential human resource enterprise, producing revenue.

**3. Construction and Wood processing internship program.**

The RFP for the Construction and Wood processing internship program was announced. RCAK identified 10 companies willing to host and share intern expenses. The activity is planned to start in Q2 (beginning of February). The project targets 11 interns (10 interns from the Faculty of Civil Engineering to be placed at the construction companies, and 1 intern from the Faculty of Economy to be placed at RCAK) and will be implemented by RCAK as a new service towards their members.

AWPK has identified wood processing companies willing to host and share intern expenses for 25 interns. The project targets 15 interns (students of VTC/VET in carpentry or Faculty of wood processing) and will be implemented by AWPK as a new service towards their members.

**Results:** In total 26 interns and more than 20 companies will benefit from the Internship program.

**4. Good Agriculture Practice (GAP) Good Wild Crafting Practice Training -**

International and local STTAs were engaged to develop a strategy for a manual and training module in the context of good agricultural practices (GAP). The manual and training module were finalized by the STTAs. The actual training will be held in January, when the training manual will have been translated.

**5. Building Materials International Standards Training**

An international and local STTAs conducted initial research on building materials. Currently, they are working on the identification of construction companies interested for the training, and development of a training program on building materials and an RFA for companies to receive KPEP support. For more information see Construction sector report.

**6. Heavy Equipment Operators Training**

KPEP will provide internationally recognized training for 40 Heavy Equipment Operators and the two to four best candidates will be identified as possible future trainers. In cooperation with Booz Allen Hamilton's home office an RFP for Heavy Equipment Operators training provider has been developed. In parallel, KPEP is working towards implementation of the HEOTC. For more information please refer to Construction sector report.

**7. International accreditation of the KEK training center for welding**

The accreditation of the training center in welding will increase the competitiveness of the workforce, and consequently will increase the competitiveness of construction companies in Kosovo and abroad. This is a joint project with the KEK Training Center which has committed €110,000 to build a Welding Center in accordance with European standards. Two institutions that can accredit the training center (GSI SLV German and American Welding Society) have been identified. GSI SLV has submitted its offer and program, while the American Welding Society has not yet submitted an offer. Therefore, the related FAR was prepared based on prices provided by GSI SLV.


**Objective 2: Institutionalize training programs within local workforce development organizations to ensure sustainability**
**Anticipated Results**

KPEP anticipates the following results:

- Skills demand analysis produced for three sectors, shared with MEST and relevant

industry associations and member firms <ul style="list-style-type: none"> <li>• Three curriculum proposals prepared and offered to MEST National Committee on Curriculum</li> <li>• At least one curriculum adopted by the Committee and implemented in VECs doing instruction in that profile.</li> <li>• Coaching and technical assistance is developed and refined, and achieves acceptance by VTCs adopting curriculum.</li> </ul>	
Activities	Status
1. Furniture Design Curriculum for Technicians	1. Ongoing
2. Adoption of HACCP course into curriculum at appropriate institutions	2. planned for Q2-Q4
3. Develop approach to ICT curriculum from needs identified in skills gap analysis	3. planned for Q2-Q4
1 <sup>st</sup> Quarter Results	
<b>Progress against this objective is on track.</b>  The activities implemented during the 1 <sup>st</sup> quarter indicate that we are in the right track to achieving our anticipated results for the Year 2.	
<b>1. Furniture Design Curriculum for Technicians</b> The RFP was announced and KPEP selected MDA as a winning bidder. MDA in cooperation with AWPk and KPEP identified 30 wood processing companies which have more than 80 percent of market share of the wood industry and identified secondary schools, VTC, and faculty to carry out both Surveys. The results of the survey will be available in the second quarter.	
<b>2. Adoption of HACCP course into curriculum at appropriate institutions</b> In December, KPEP, in cooperation with Swiss contact, organized a meeting of WfD implementers focused on agriculture. The outcome of this meeting included an agreement on the following actions: KPEP will carry out the skills gap analysis in agriculture – food industry; presentation and training in DACUM (Developing A Curriculum) to be done by Swiss Contact and suggesting DACUM to members of the Council for Curriculum Development and other stakeholders involved in curriculum development	
<b>3. Develop approach to ICT curriculum from needs identified in skills gap analysis</b> Once the results of the skills gap analysis for the ICT sector are finalized, curriculum development will start.	



**Objective 3: Assist selected workforce development institutions to better meet the needs of industry; ensure that training is more practical and experiential**

#### Anticipated Results

##### *Internships*

- Internships with Ministry of Economy and Finance, Ministry of Trade and Industry, Chamber of Commerce, Kosovo Customs are successful, and replicated with at least one other ministry
- A minimum of 20 interns are successfully recruited and placed
- At least 10 interns are hired full-time following graduation.
- There is improved dialog and coordination between workforce development organizations and industry
- The Youth Employment Service Program feasibility study is undertaken.

Activities	Status
1. Support Continued and Expanded Cross-Sector Internships	1. Ongoing
2. Improve coordination and cooperation between workforce development organizations and industry	2. Ongoing
3. Conduct Feasibility Study for the Development of Municipality-based Youth Employment (YES) Centers	3. Completed

#### 1st Quarter Progress

**Progress against this objective is ahead of schedule.**

#### **1. Support Continued and Expanded Cross-Sector Internships**

**Business and Economics internship program** - Ten students of the Economic Faculty of the University of Prishtina and AUK, were placed in five institutions (MEF, MTI, Kosovo Customs, Chamber of Commerce and KPEP). The six months internship program included practical on the job training and three soft skills training modules (Presentation skills, Academic writing and Career Development). The monitoring report indicates that the internship experience is beneficial for both interns because they apply their classroom learning in work place and institutions, because are able to review candidates that could be potential employees.

#### **Training and Internship Program in Accounting and Finance**

The project was awarded through a grant to the Association for Finance and Accounting Services (AFAS). The aim of the project is to provide intensive training program in accounting, financial analysis and accounting for tax purposes for 25 jobseekers (students of the Economy and Finance of the University of Prishtina). Fifteen successful candidates will be offered an internship in banking and microfinance institutions. From 98 candidates who have gone through a written test, 45 were interviewed by the committee (made up of the HR managers of four banks), and 25 were accepted (18 female, 7 male).

Ten interns (30 percent female) received on the job training through the internship program, as a result 2 interns will continue to work with these institutions. WUS Austria initiated the institutionalization of the Internship program. In January, 10 interns will receive certification for the successful completion of the internship program. Twenty-five candidates (72 percent female) attended and passed two modules of the AFAS training program. Eighteen candidates will start their internship on January 2010, while 7 found job placement (under probation being paid by interested institution)

## **2. Improve coordination and cooperation between workforce development organizations and industry**

On October 8, 2009, KPEP in cooperation with Swiss Contact organized a symposium on Workforce Development in Kosovo. This ongoing effort is meant to be an information exchange, and, it is hoped, will lead to coordination and cooperation among donors and implementing organizations and government institutions involved in workforce development. More than 30 participants from 22 different organizations and governmental institutions attended the initial 'Workforce Development in Kosovo' meeting. A directory of programs and organizations involved in workforce development was established and sent to all stakeholders. It was suggested that this initiative should continue by addressing specific issues of the workforce development. In the first example of a specialized meetings, on Dec 17, WfD Implementers in Agriculture met as a focus group.

## **3. Conduct Feasibility Study for the Development of Municipality-based Youth Employment (YES) Centers**

An international STTA was hired to conduct a Feasibility study regarding the desirability and feasibility of establishing Youth Employment Service programs. The findings of the study indicated that the concept of a YES Program supports the national policy of the Ministry of Culture, Youth and Sport. Moreover, the approved budget for Kosovo Youth Action Plan includes resources for the implementation of six municipal based YES Centers. The YES Programs (attached to Youth Centers), would create an enabling environment to better serve the youth of Kosovo. YES programs were found interesting by municipalities, public and private structures at local level and the Department of Youth at central level. Moreover, YES programs were considered as desirable and needed by focus groups of young people who indicated that these programs would facilitate greater access to the labor market, provide more opportunities for practical training and experience, and greater guidance on how to enter the workforce.



## **Objective 4: Support job creation by increasing the entrepreneurial skills of youth**

### **Anticipated Results**

#### ***Youth Entrepreneurship***

- Program successfully launched in first Quarter
- Curriculum modules reviewed and approved
- 50 youth successfully recruited and engaged
- 40 youth complete, with completed business plans
- 30 or more business plans are successfully matched with micro-finance resources
- 25 small businesses still operating at end of first year
- 50 new jobs are created
- 10 expand and are offered financing for expansion

#### ***SMME Enterprise Expansion Support***

- 25 small firms are targeted for expansion and agree to participate in Phase 2 entrepreneurial training
- 15 firms finish training
- 10 firms receive expansion capital
- 50 new jobs created within 1 year



Activities	Status
1. Phase 1 Entrepreneurship --Youth Enterprise Start-Ups	1. Ongoing
2. Entrepreneurship-- SMME expansion support	2. Planned for Q3
1st Quarter Progress	
<p><b>Progress under this objective is very good, however, some of our targets may be too ambitious.</b></p> <p>We were told by our subcontractor Business Support Center in Kosovo that the anticipated results with regards to: “40 youth complete, with completed business plans; 30 or more business plans are successfully matched with micro-finance resources; and 25 small businesses still operating at end of first year” are too ambitious. The expectations of the BSCK are approximately 10 business plans will be successful in securing micro-finance resources.</p> <p><b>1. Phase 1 -Entrepreneurship Training program - Start-Ups</b></p> <p>The Business Support Center in Kosovo (BSCK) was subcontracted to carry out the entrepreneurship training program in Drenas and Prizren. The program includes training (10 modules x 5 days) for 50 candidates, 200 hours of consultation, access to favorable loan program (5 percent interest rate) and grants from KPEP for two best business plans (20 percent of the total amount the loan). KPEP reviewed and approved curriculum for training modules. Partnership agreements were signed between BSCK and youth centers in both municipalities. The entrepreneurship training program was promoted through local electronic media and brochures, presentations in Universities and Youth Centers. 129 candidates (in both sites) have applied whilst 50 candidates (13 female) were recruited (25 in each site) and signed letter of commitment. The subcontractor carried out pre-training with trainers and co-trainers from youth centers, to decide for the content of the modules to be delivered by trainers and ensure consistency between modules, redundancy, discipline and other important topics. During the first quarter, 8 training modules were delivered. BSCK was also selected to manage the additional training program “Greenhouse as a Business”, for 12 candidates (5 candidates from entrepreneurship training) from Drenas who have as their business idea managing a greenhouse. The entrepreneurship training program was successfully launched in Q1; 50 candidates who had most feasible business idea were selected from which 24 percent are females. BSCK reported that 50 candidates will be certified.</p> <p><b>2. Entrepreneurship-- SMME expansion support</b></p> <p>This activity is planned for Q3.</p>	



## V. MANAGEMENT AND OPERATIONS

### A. PERFORMANCE BASED-MANAGEMENT SYSTEM

#### 1. Summary

During the first quarter of the fiscal year 2010, KPEP supported firms achieved significant growth in sales, investment, and full time jobs. While during the entire FY 2009 period, KPEP reported €13.4 million increase in sales, during the first quarter of 2010 alone, sales increased by €18.8 million, thus the total cumulative increase in sales to date is at €32.2 million. Cumulative Life of Project (LOP) investment growth is €9.8 million, already exceeding the Year 2 target of €8 million; during this quarter investments were €264,000. KPEP-assisted companies have added 468 full time equivalent (FTE) jobs since the beginning of the project. While it is doubtful that KPEP will achieve the Year 2 target increase of 2,018 FTE jobs, the expected result Year 2 number based on the first quarter is still excellent results compared with the 40 percent unemployment rate persistent in Kosovo and the regional and world wide impact of the global financial crisis on employment..

Progress to Date Highlights			
	Y2 Target	Q1-FY10	Performance Evaluation
Increase in sales <sup>2</sup> , million Euros	20.1	32.2	↑
Increase in investment, million Euros	8.0	9.8	↑
Increase in exports, million Euros	-	15.9	↑
Increase in number of full time jobs <sup>3</sup>	2,018	468	↓
Number of enterprises assisted in KPEP database	85	54	↓
Number of business services providers (BSPs)	30	15	↓
Number of people trained	1,400	2,147	↑

While the unemployment rate has remained unchanged in Kosovo averaging 40 percent, KPEP enterprises have achieved 30 percent growth.

The growth rates are not distributed evenly throughout KPEP sectors. The construction sector is responsible for the majority of gains in sales (64 percent), investment (76 percent), and full time jobs (81 percent). The share of the agriculture sector in overall project level of sales has increased by four percent, from nine percent to 13 percent; the share of investments in the agriculture sector is nine percent and the same share applies to jobs. The most significant increase in this quarter was in the wood processing sub-sector. The percentage of the increase in sales attributable to the wood processing sector at the end of the end of first year was barely two percent. In this

quarter, this share increased to 18 percent, exceeding the agriculture sector. Other sectors

<sup>2</sup> This figure combines sales increase in targeted sectors and BSPs.

<sup>3</sup> This figure combines FTE jobs increase in targeted sectors and BSPs.

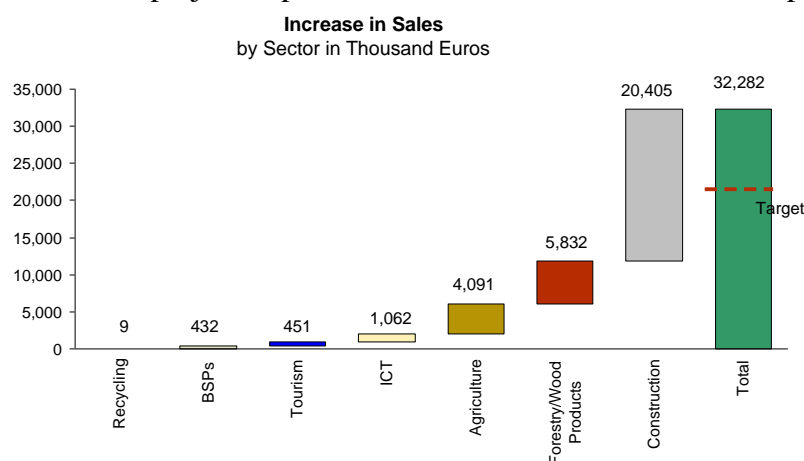
have also performed well – the ICT sector increased by three percent growth in sales, and tourism increased by one percent. The forestry and wood sector recorded a 14 percent increase in investment, and the tourism sector had a six percent increase in employment. The BSP component has surpassed its employment LOP target by creating 37 FTE jobs.

### Contextual Indicators:

Indicator	KPEP	Kosovo	Central and South East Europe & CIS	Developed Economies and EU	World
Sales/GDP Growth <sup>4</sup>	30%	-9%	-5%	-3.6%	-1.3%
Trade/Export Growth <sup>5</sup>	2,372%	-34%	N/A	-12.1%	-13.5%
Foreign Direct Investment <sup>6</sup>	0	-30%	-46% q1	-46% q1	-44% q1
Unemployment Rate <sup>7</sup>	N/A	39-41%	10.8-12.1%	7.4-9.0%	6.5-7.4%
Employment Growth <sup>8</sup>	29%	3%	-1.4-2.8%	-1.3-2.7%	0.0-1.0%

## 2. Sales

The total increase in sales reached €31.9 million in enterprises under component one (agriculture, construction, forestry and wood products, ICT and tourism sector) or in total €32.2 million for the project (including sales of BSPs). During this quarter only, there was an increase in sales of €18.8 million, already exceeding the Year 2 target. After 15 months from the start of project implementation, KPEP has achieved a 44 percent growth in sales. This is a



very positive development considering the global recession. The construction and wood processing sectors are the main contributors to the sales growth. The main contributors of this increase are three construction companies: Eurokos, Eskavatori, and Lin Projekt, two agribusiness companies: Pestova and Abi, and a new entrant to this top group -

Lesna, a wood processing company. Their joint increase in sales represents 77 percent of the total increase of KPEP sales over the LOP.

<sup>4</sup> Source: IMF, World Economic Outlook, May 2009; Tax Administration of Kosovo, December 2009; KPEP data

<sup>5</sup> Source: IMF, World Economic Outlook, May 2009; Statistical Office of Kosovo, November 2009; KPEP data

<sup>6</sup> Source: UNCTAD, World Investment Report, 2009; Central Bank of Kosovo, June 2009; KPEP data

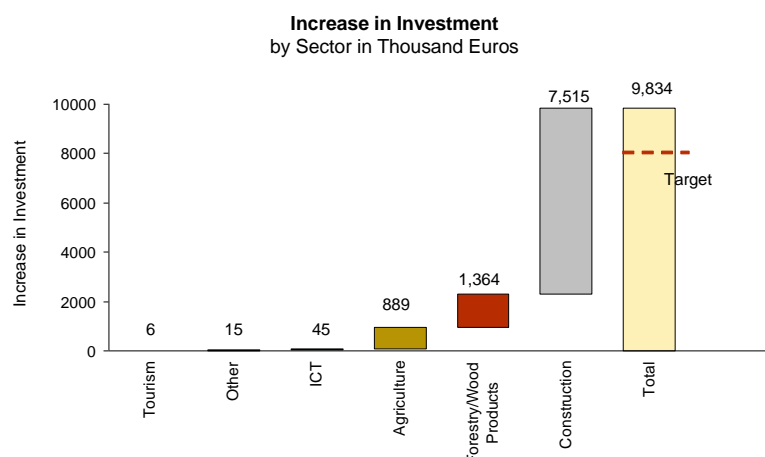
<sup>7</sup> Source: ILO, Global Employment Trends Update, April 2009; Ministry of Labor and Social Welfare, December 2009; KPEP data

<sup>8</sup> Source: ILO, Global Employment Trends Update, April 2009; Ministry of Labor and Social Welfare, December 2009; KPEP data

### 3. Investment

The total value of investments reached €9.8 million, thus exceeding the Year 2 target of €8 million. During this quarter there was an increase in investments of €264,000.

The construction sector continues to drive the investment growth among KPEP firms



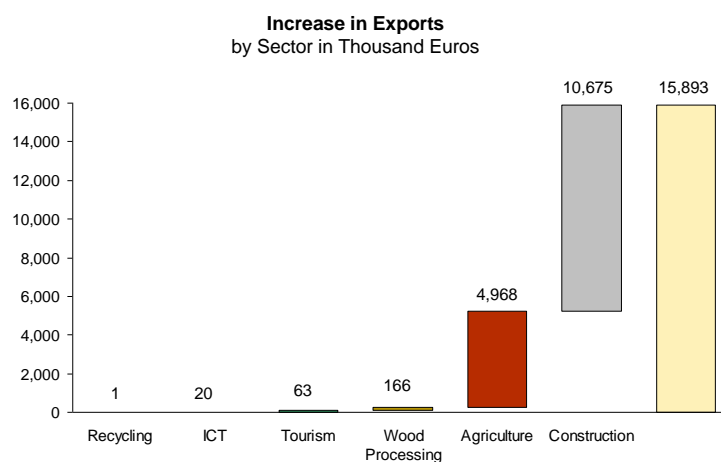
representing 76 percent of the project's total reported increase in investment. Eight out of ten of the top performing companies with respect to investment are from the construction industry. Lesna from forestry and wood products sector and Etlinger from agriculture sector are also in the list of the top ten performing companies. Investment in these ten

companies represents 88 percent of the total value of program's investment increase. Three construction companies invested more than €1 million each: Eskavatori, Renelual Tahiri and Lin Projekt.

No FDI was recorded by KPEP enterprises and no data for 2009 is available for Kosovo. However, the Central Bank of Kosovo projects that FDI will fall this year by 30-35 percent.

### 4. Exports

The increase in exports this quarter, comparing to the baseline value, is €15.9 million. During this quarter, there was an increase in exports of €1.7 million. The construction sector is still the main contributor to export growth, accounting for 67 percent of KPEP enterprises. The reason behind this high export growth figure is that several construction companies, namely Eurokos, KAG Asphalt and Vëllezërit e Bashkuar, have been heavily involved in road construction in Albania with Eurokos contributing €6.5 million to the sector exports. Companies in the agriculture sector exported goods amounting to almost €5 million during the 15 month since KPEP started, which constitutes 31 percent of the total increase in exports during the period.



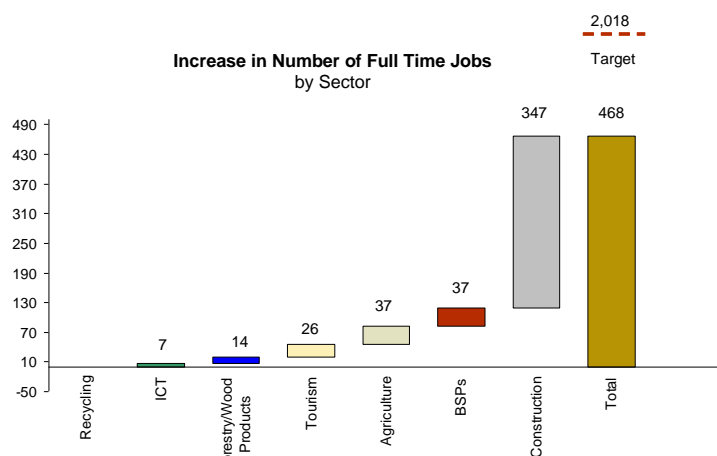
During this quarter, exports of KPEP supported enterprises in all targeted sectors were €1,555,755, while imports were €4,807,711. This provides for an exports/imports coverage ratio of 32.4 percent, three times higher than Kosovo ratio of 10.7 percent.

The main exporters during this quarter were Pestova, Lesna, Hit Flores, Devolli, Agroprodukt Commerce and Agroalbi, each exporting goods valued at more than €100,000. With the

exception of Lesna, all companies are from the agriculture sector. During this quarter, Pestova was the leader in exports, exporting potatoes and chips valued at 500,000 Euros.

## 5. Full Time Jobs

The total LOP increase in FTE jobs to date is 468. Enterprises in component one contributed 431 new FTE jobs and enterprises in component one (business service providers) contributed 37 new FTE jobs. During this quarter only, there was an increase of 152 FTE jobs (431 in component one and 14 in component two). The construction sector was responsible for 81

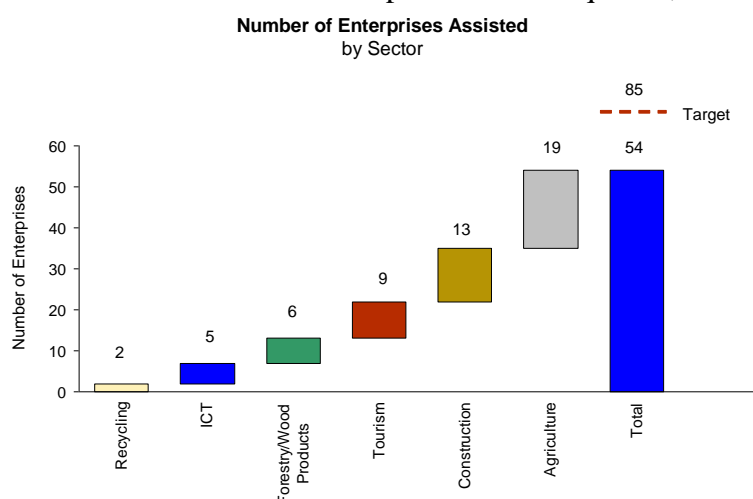


percent of FTE jobs, which is a reflection of the intensity of construction activities in Kosovo, especially road construction. The main contributors to this increase (with 60 percent total) are: Lin Projekt, Eurokos, Fitorja, Bejta Commerce and KAG Asphalt. Following these construction companies are four agriculture companies, mainly in the NWFP sub-sector: Hit-Flores, Scardus, Agroprodukt Commerce and Etlinger.

BSPs realized an increase of 37 FTE jobs, a figure that exceeds the LOP target of 36 FTE jobs. While KPEP is below its job creation target, the project has been able to achieve a 30 percent increase in full time jobs, which stands in positive contrast to the 40 percent unemployment persistent in the Kosovo economy.

## 6. Number of Enterprises Assisted

KPEP has provided support to date to a total of 54 enterprises. In this quarter, seven new enterprises were added to the PBMS, three in tourism, two in recycling and two in ICT. This is still below the original target of 85, which should be reached by the end of Year 2. From this number, 19 enterprises belong to the agriculture sector, 13 are construction enterprises, six enterprises are in the wood processing sector, five enterprises are in ICT, and nine enterprises belong to the tourism sector and two to recycling.



## 7. Transactional Impact from Fairs and Tradeshows

During this quarter, KPEP continued to assist companies to participate in fairs, tradeshows and other events and helped them increase sales, investment, and employment. Because these companies have not signed client agreements with the KPEP program, these results are not captured specifically by the PBMS. In an effort to provide the most updated information to USAID and capture the transactional impact of the interventions, KPEP has collected the results and success stories in this section of the report. Starting from next quarter, a new system will be established to capture all transactions, for both KPEP and non-KPEP clients, adding also an attribution component to the results reported.

*Wood products sector.* The KPEP wood processing specialist has completed a follow up survey of the results from Hanover Ligna Fair, held in May 2009. As results of contacts established during this fair, wood processing companies acquired equipment at a value of €820,720. The total investment by non-KPEP companies was €485,000.

KPEP has supported AWPK with a grant in the amount of €31,000 to send wood processing companies to the trade fair AlbRelax in Albania. As a result of contacts made, a total of €381,834 in sales has been contracted. From this value of sales, non-KPEP clients realized €166,500 in sales, all exports to Albania.

*Tourism sector.*

Bora fashion

As result of promotion through KPEP of the catalog, tourism blog, and through promotion tables at international organizations, Bora Fashion increased its revenue by over €12,000.

Mezzeria

Following KPEP's advice, Mezzeria produced the first flyer for the live broadcasting of different sport games and promoted it through the "Experience Kosovo" blog. First direct sales were €600. Furthermore, Mezzeria was contacted for hosting different groups on seminars and game watching over weekends. During this quarter Mezzeria made sales of €1,770.

Below is the overview of transactional performance on key indicators of the companies that are not direct KPEP clients to date:

Data for this quarter

Sector	Sales (in Euros)	FTE jobs	Investments (in Euros)
Agriculture	-	-	-
Construction	-	-	-
Forestry and Wood processing	166,500	-	264,000
Tourism	13,770	-	-
Metal Processing	-	-	-
<b>Total</b>	<b>180,270</b>	<b>-</b>	<b>264,000</b>

Cumulative data to date

Sector	Sales (in Euros)	FTE jobs	Investments (in Euros)
Agriculture	267,000	-	-
Construction	600,000	5	200,000
Forestry and Wood processing	328,500	-	485,000
Tourism	367,298	14	-
Metal Processing	-	-	15,000
<b>Total</b>	<b>1,562,798</b>	<b>19</b>	<b>700,000</b>

## 8. MicroEnterprises

USAID's economic growth programs in Kosovo are aimed at value chain improvements through greater competitiveness of firms, and their products and services.

Microenterprises have been an important beneficiary of the USG assistance program. Sectors where competitiveness requires product standardization at the producer level, such as dairy programs, have significant results on microenterprises. Mission support has focused on assistance to sectors where a significant number of micro enterprises participate in the value chain, including organizations in agriculture, tourism, ICT and wood products. The mission also supported microenterprise development in addressing cross cutting issues in workforce development, business enabling environment, and business support services.

This quarter KPEP assisted microenterprises to improve their performance and establish linkages with larger firms to make them part of the local value chain. Total KPEP resources devoted to supporting microenterprise development to date are \$2.8 million.

Examples of KPEP's activities in support of microenterprises include:

- Attendance at agricultural fair and visits to vegetable variety trials in Antalya, Turkey. Three local agronomists, a seed distributor from Mamusha and a representative of the seed trader Kelmendi attended the event. It was agreed that new varieties, which will have a three-time higher yield than traditional varieties will be introduced in Kosovo this season.
- Assistance with HACCP and organic certification. Introduction of HACCP will help microenterprises to enter into regional and EU markets.
- Facilitate the development of value chain efficiencies in collection management and satellite collection centers. By strengthening the collection centers the quantity and diversity of products gathered will increase while at the same time quality will improve. This has direct impact on microenterprises that actually do collection. The Request for Applications for the provision of cold storage facilities was such an example.
- Marketing and Promotion of tourism offers to the international community in Kosovo and regional partners to increase sales and demand for tourism products. Tourism is becoming an increasingly valuable source of income and employment.
- Development of the On-line Tourism Marketing Portal. The largest number of tourism companies that will post materials will be microenterprises.

- Entrepreneurship training targeting the establishment of start-ups. The anticipated result is that approximately 10 business plans will be successful in securing micro-finance resources and establish microenterprises.

## 9. Trade Capacity Building

Support for trade capacity building in this quarter continued to focus on building a base of realistic understanding of trade principles and concepts among the GoK and the private sector, through trade associations and chamber of commerce. An example is an analysis of excise taxes levied on the production and import of beverages. Though among the highest such taxes in the region, the analysis proved that because the tax is charged to all, there is no particular advantage for foreign producers over domestic producers. Further, the work identified the harm that could come from charging the tax only on imported products.

Support continues with key Kosovo industries to export to the EU, more fully participate in the Central European Free Trade Agreement (CEFTA), and reduce the massive trade imbalance. USG assistance supported exports of Kosovo products, including processed agricultural products such as pickled peppers, niche products such as wild mushrooms, blueberries, Sharri cheese, and cream with peppers, and processed wood and non-wood products. Construction companies receiving technical assistance and training from the USG have nearly secured a major road building contract in Kosovo.

Modern quality standards were a significant focus of assistance. The USG contributed to the first food processor in Kosovo achieving full Hazard Analysis Critical Control Points (HACCP) certification. To date, five companies are certified. KPEP continues to work with local producers to obtain HACCP and organic certification. We assisted the Kosovo Veterinary and Food Agency in implementing the Raw Milk Quality Decree to improve food safety of dairy products. Steps were taken toward achieving preconditions for forest certification to increase the competitiveness of Kosovo's wood products. KPEP also works with road construction companies and building materials firms to help them improve product quality and to obtain certifications. In the ICT sector, KPEP is supporting training programs in which ICT professionals can obtain internationally recognized certifications. We have also initiated a program that will offer PMP (project management) certification in Kosovo.

**Activities facilitated trade linkages for Kosovo products.** The USG supported Kosovo's first Marketing and Linkages Conference, which brought together producers, processors and retailers. Grants to business associations improved post-harvest handling of fruits and vegetables (e.g., grading/sizing/packing and cold storage facilities), enabling them to increase exports. Assistance provided to financial institutions helped develop new trade finance products, but implementation was delayed due to buy-outs and mergers. KPEP facilitated trade show participation in a wood processing fair in Albania in this past quarter, as well as exports to Macedonia, Montenegro, Albania, and Serbia of peppers, potatoes, and UHT milk.

## 10. Minorities

During this quarter KPEP continued to be present in the minority regions of Kosovo searching for opportunities to assist companies in the KPEP sectors and responding to requests for assistance expressed by individual companies, cooperatives and associations. Keeping in the mind the level of economic activities in minority regions, different business environment, and potential and constraints that business daily faces KPEP provided a range of assistance and support.



Highlights of performed activities are:

- KPEP assisted the Women Business Association Avenija from the village Laplje Selo with a grant to enable them to participate in the International Trade Fair Business Baza in Belgrade/Serbia. Prior to the trip, KPEP trained twelve members of the association on “How to successfully exhibit at international trade fairs”. KPEP also provided assistance with both design and organization. A small sale of € 525 was made at the fair, and signed contracts for delivery of different products with a value of €7,250 were also realized, and ten new trade linkages were established.
- In cooperation with KOTAS, KPEP organized meetings with several tourist operators from North Kosovo to explore including tourist destinations from the North in the “Stay the Weekend” promotional fair and involvement in other KOTAS activities.
- KPEP continued to work with Non Wood Forest Products (NWFP) companies from the minority regions to strengthen the value chain development. They were actively involved together with KPEP STTA Jakob Modeer in the creation of a manual for collectors.
- A Request for Applications for installations of NWFP Collection Centers was published in the newspaper “Jedinstvo” published in the Serbian language. As result of this advertisement three companies from minority regions have applied for support.(Gorani from Dragash region, Bosnjak from Reqane/Prizren region and Serbian from North Kosovo).
- KPEP also presented its program offerings to the women NGO “Ruka Ruci” from the village Ugljare/ Kosovo Polje municipality, the agriculture cooperative in the village Suvo Grlo in Skenderaj/Serbica municipality and to the farmers from Novo Brdo and Gjilan municipality.
- The company Lazareks from the village Prekovce in the Novo Brdo municipality received a grant fund in the amount of €4.800 for the improvement of its NWFP collection center through a cost share arrangement.

## 11. Women

Support to women in business is important to KPEP. We have been providing assistance to women owned businesses, women’s associations and female professionals through a variety of program.

KPEP supports several women’s associations that are business oriented. We helped the Widows’ Association in Krusha e Madhe with the purchase of a milk analyzer to enable them to test the milk produced by its members. This analyzer was procured through a SAF grant. The farmers association Tina Association in Podujevë/Podujevo has received consultancy assistance regarding the planting of new pepper varieties. The Avenija Association (a hub of 26 minority women’s NGOs) received assistance from the BSS component.

KPEP has supported several women consultants through trainings and direct consulting engagements, and through KPEP’s workshop on how to be a successful consultant. Thanks to such activities KPEP now possesses a database of consultants, broken down by gender. To date, two women consultants have provided frequent services to KPEP.

KPEP works closely with the ICT and Wood Processing Associations, both of which are headed by women. KPEP has increased cooperation with the Kosovo Bankers Association, which also is headed by a woman.

In the tourism sector, KPEP is working closely with two NGOs that are headed by women: Rugova Experience and JETA, both of which have received technical assistance and support in promoting their products and establishing business contacts. KPEP is assisting the NGO Lulebora with business linkages in recycling. This NGO is also headed by a woman.

In this quarter, KPEP supported the Entrepreneurship training program in Prizren and Gllgovc/Glogovac, where out of 50 participants, 13 were female; and the Accounting and Financial Analysis training, where out of 25 participants, 18 were female.

In this quarter, KPEP's client companies, which are tracked in our PBMS, employed 1,735 full-time workers combined of which 285 are women, and 258 part-time workers of which 46 are women. Of 2,147 individuals trained by KPEP in Year 1, 353 were women.

## 12. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project (LOP).

- Data collection

The KPEP specialists worked with the client enterprises to establish baseline data. Initial baseline data is recorded for the period just prior to implementation of activities that contribute to achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, baseline data includes jobs, sales, production, investments, foreign direct investment and partnerships. The KPEP specialists are responsible for data collection from enterprises. The PBMS Specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and excel spreadsheets are used for inclusion in quarterly reports to USAID.

- Quality of the data

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that data collected and included in the database are accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- Data verification

The PBMS specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS specialist also will determine whether the results were caused by the KPEP intervention and thus attributable to the project.

- Status of the Indicators

### The New KPEP Attribution Process

In Q1, a short-term M&E specialist helped develop an attribution process to help more accurately track the true impact of KPEP interventions. The KPEP Attribution Process is a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) has captured the quarterly revenue, investment, and job data from our client partners and reported it exactly as it is received regardless of the level of assistance provided to that firm. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and held accountable for. This process will also help calculate a Return on Investment for Component 1 work, enabling management to compare results versus cost across sectors.

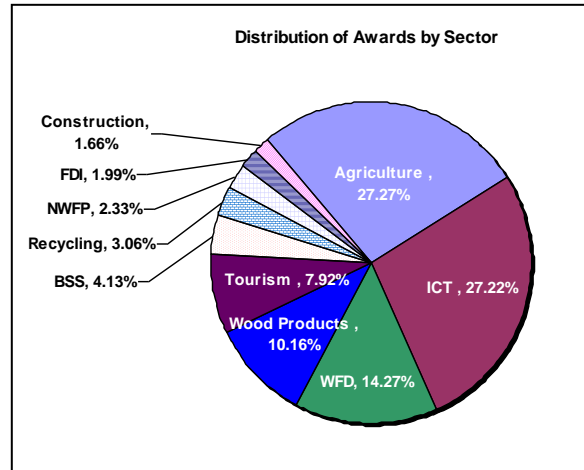
KPEP will start tracking results this way in Q2.

The status of Project Indicators is set out in the Annex 1 entitled *Report on Indicators*. This Annex gives the status of all indicators from the PMP.

## B. STRATEGIC ACTIVITIES FUND

**Outreach:** The Annual Program Statement (APS) for Year 2 of the project was approved by USAID in October. KPEP published the new APS on its website.

On December 7, KPEP issued a Request for Applications (RFA) for Non Wood Forest Products Collection Centers. An informative session and training was organized for this RFA. The organizations attending the session had the opportunity to ask specific questions about the RFA. Following the informative session, KPEP provided training on how to fill in and submit a grant application, in order to enable the potential applicants to prepare their grant applications in response to the RFA. 13 participants were present at this informative/training session.



On December 18, KPEP invited representatives of the recycling sector to a presentation of the KPEP SAF program and of the APS.

KPEP continues its policy of advertising all requests for proposals on the website and in leading newspapers and of organizing vendor meetings for each solicited RFP. In this manner, we ensure that our process is transparent, and information is disseminated effectively with the purpose of reaching the most capable bidders and contracting the best available services in the market.

**SAF Review Committee:** The SAF review committee continued its weekly meetings. Interest in the SAF funds continues to be high. During this quarter, the committee reviewed 30 concept papers. Six were approved in this phase of the evaluation. The main reasons for not approving concept papers are that the requests don't meet KPEP and SAF objectives, request resources for the benefit of a single business only as opposed to the entire sector, subsector or value chain, and/or that the requests do not discuss new technologies or innovative concepts.

**Request for Application:** KPEP issue an RFA in December, requesting grant applications for cooling equipment for Non Wood Forest Products Collection Centers through a cost-share arrangement. KPEP plans to support 10-12 collection centers, which will have the capacity to properly store products. Cold storage will enable the collection centers to accept more products, which will have a direct impact on employment in rural regions, especially for women and youth.

**Requests for Proposals:** During this reporting period, KPEP issued seven requests for proposals (RFP). The advertisements were published in local newspapers and on the KPEP website. Four other subcontracts issued during this period were sole sourced due to pre-eminent capability or because the project was a follow on to a previous activity.

The 11 subcontracts had a total value of €80,196 (\$117,135). KPEP awarded five grants in this quarter, for a total value of €42,975 (\$63,101). The total value of subcontracts and grants awarded in this quarter is €123,171 (\$180,236).

The cumulative value of KPEP subcontracts (27) and grants (15) awards through the end of this quarter - December 31, 2009 – equals €571,008 (\$803,504).

Type of Awards		
Type of Award	Approved Euros	% Distribution
Grants	€215,476.00	37.7%
Subcontract	€355,532.00	62.3%
<b>Total</b>	<b>€571,008.00</b>	<b>100%</b>

The Q1 grants and subcontracts were awarded to organizations from the following KPEP approved sectors/components: Agriculture, Road Construction, Workforce Development, ICT, FDI, Wood Products, Non Wood Forest Products, Tourism, Recycling, and Business Support Services.

The fixed price subcontracts were awarded to the following companies:

1. **Rrota** - Online Marketing Services for Kosovo Tour Packages, Tourist Experiences and Products
2. **Kosovo Association of Information and Communication Technology (STIKK)** - Kosovo Albania business-to-business (B2B) event
3. **Index Kosova** - Call Center Survey
4. **Eciks Consulting** - FDI Promotion and Generation for Kosovo for MFA employees in new embassies
5. **IQ Consulting** - Market Research of ICT Sectors - Supply Demand Survey
6. **Kosovo Association of Information and Communication Technology (STIKK)** - ICT Job Fair
7. **NSH Forestry** - Study in Forest Biomass as an Alternative Fuel
8. **Kosovo Association of Information and Communication Technology (STIKK)** - Organization of E-Marketing Seminar for Tourism
9. **UBO Consulting** - Business Plan for Widows Association, Krusha e Madhe
10. **Management & Development Associates (MDA)** - Skill Gap Analysis for Wood Processing Industry
11. **Management & Development Associates (MDA)** - Catalog of Tourism Offers

Grants were awarded to the following organizations:

1. **Women Association "Korenica"** - Supply with a Lactosan, A milk quality tester was purchased for the association-managed Milk Collection Center.
2. **NTP Korenica** - Engineered Wood Flooring Certification and international product promotion, at the Swissbau Fair in Basel, January 2010.
3. **Association of Business Women "Avenija"** - Participation at the International fair of entrepreneurship in Belgrade, "Business Baza"
4. **Association for Finance and Accounting Services (AFAS)** - Training and Internship Program for 25 jobseekers in the field of Accounting and Finance
5. **Association of Wood Processors of Kosovo (AWPK)** - AWPK participation in the "34th Furniture Fair - Home, Office & Interior Decoration Equipment". The fair will take place from April 7 to April 11, 2010.

Almost two thirds of our awards throughout the duration of the project, 63.15%, are in support of activities which benefit micro enterprises:

<b>Distribution of Awards by a Type of Enterprises</b>		
Enterprise	% of total	Euros
Non Micro Enterprise	36.85%	€ 210,428
Microenterprise	63.15%	€ 360,580
<b>Total</b>	<b>100.00%</b>	<b>€ 571,008</b>

Awards that will directly benefit to microenterprises for this quarter are;

1. Women Association Korenica: their members will benefit from better equipped Milk Collection Center
2. Avenija was awarded a grant to organize participation of its microenterprise members at the International Fair for Entrepreneurship in Belgrade.
3. UBO Consulting is developing a business plan for Widows Association Krusha e Madhe, for establishment of a vegetable processing plant
4. Rrota is creating a Tourism Portal for Kosovo. Many of the beneficiaries of this service are microenterprises.
5. MDA is working on a Catalog of Tourism Offers. Most of the offers will be from microenterprises.

### **Environmental Compliance Report**

An Initial Environmental Examination (IEE) for KPEP was completed and approved on 24 April 2008. The IEE, in accordance to Regulation 22 CFR 216 Threshold Determination, aims to ensure that the activities to be implemented under KPEP are environmentally sound.

The IEE requires certain actions on the part of Booz Allen as the implementing contractor. In particular, as specified in the IIE, all sub-agreements under the program must incorporate provisions that the activities to be undertaken will comply with the environmental determinations and recommendations of the IEE.

During this quarter, KPEP supported 16 activities through SAF (see table below). 14 activities fall under the category of “Categorical Exclusion” – they are activities that have no effect on the natural or physical environment. For two activities, related to production and processing, KPEP made a Negative Determination, i.e. that the activity had no potential for adverse environmental impact.

In November 2009, KPEP engaged an environmental consulting firm from Macedonia, B2 Consulting, to conduct Environmental Due Diligence on two projects. We engaged the Macedonian company since we were not able to identify a Kosovo company that has the capacity to conduct this type of work. B2 visited the dairy Bylmeti, and the cheese and ice cream producer Magic Ice on December 1 and 2, 2009 to conduct the environmental review. The final reports with recommendations are expected in early 2010.

No.	Organization	Type of ER Checklist		Project Name
		Categorical Exclusion	Negative Determination	
1	Rrota	X		Online Marketing Services for Kosovo Tour Packages, Tourist Experiences and Products
2	Kosovo Association of Information and Communication Technology (STIKK)	X		Kosovo Albania business-to-business (B2B) event
3	Index Kosova	X		Call Center Survey
4	Eciks Consulting	X		FDI Promotion and Generation for Kosovo
5	IQ Consulting	X		Market Research of ICT Sector - Supply Demand Survey
6	Kosovo Association of Information and Communication Technology (STIKK)			ICT Job Fair
7	NSH Forestry	X		Study in Forest Biomass as an Alternative Fuel
8	Avenija	X		Business support to the Business women "Avenija"
9	NTP Korenica		X	Engineered Wood Flooring Certification and International product promotion
10	Women Association Korenica		X	Supply with a Lactoscan
11	AFAS	X		Training and Internship Program for 25 jobseekers in the field of Accounting and Finance
12	Kosovo Association of Information and Communication Technology (STIKK)	X		Organization of E-Marketing Seminar for Tourism
13	UBO Consulting	X		Business Plan for Widow Association, Krusha e Madhe
14	Management Development Associates (MDA)	X		Skill Gap Analysis for Wood Processing Industry
15	Management Development Associates (MDA)	X		Catalogue of Tourism Offers
16	Association of Wood Processors of Kosovo (AWPK)	X		AWPK participation in "34 <sup>th</sup> Furniture Fair – Home, Office & Interior Decoration Equipment"



## C. COMMUNICATIONS

**Media Monitoring:** The Communications Specialist monitors on a daily basis the local press for articles related to KPEP's work, or of interest to sector specialists, preparing headlines distributed to all staff, and follows up on articles of interest. Media monitoring also includes Kosovo online news agencies, and whenever possible, TV news and TV programs covering issues of relevance for KPEP's work. The Communications Specialist also uses the Google Alert service, which captures each instance of KPEP being mentioned on the web. All such articles are shared with the KPEP staff.

### ■ Telling KPEP's Story ■

**Website:** KPEP has updated regularly the News&Features section of its website thus keeping the public informed of all successful activities, achievements and changes it has helped to bring.

**Promotional Advice:** KPEP has assisted BSCK, STIKK, and international and local consultants with their promotional materials for events such as: training, job fair and workshop.

**KPEP in the Press:** KPEP assistance to wood processing companies to attend the Albrelex Furniture Fair in Albanian and the contest on importance of forest protection received very good media coverage.

**Media Relations:** After having established contacts and professional relations with the majority of national and local media, including newspapers, TV and radio stations, and online agencies, the KPEP media relations efforts in this quarter focused on strengthening the relationship with the Association of Business Reporters (ABR) of Kosovo. We also established a relationship with the only online economic news agency in Kosovo [Ekonomia www.ekonomia-ks.org](http://www.ekonomia-ks.org), and the newly-established online agency that provides free advertising space to local producers, Newmedia [Newmedia www.newmedia-ks.com](http://www.newmedia-ks.com). The Communications Specialist kept in regular contact with the Chairperson of ABR, also editor in chief of Ekonomia, and the editor-in-chief of Newmedia. As a result of such efforts, Ekonomia now offers space for all articles and press releases issued by KPEP and also provided good coverage of KPEP events, such as the award ceremony for the best essays and drawings on the importance of forest protection. An article on the non-wood forest products sector in Kosovo was published in both Albanian and English. Thanks to the information KPEP distributed to all clients regarding the free advertisement space offered by Newmedia for local producers, several KPEP clients (Bylmeti, Lesna, Magic Ice) are now advertising their products on this new site and others are in the process of negotiations.

All newspaper articles on KPEP and its work on the first year of operations were put together in a folder and submitted to USAID.

Press kits / event folders containing general information on KPEP and specific information on KPEP sectors, as well as press releases, presentations, and contact information were prepared and distributed in all events.

**KPEP Newsletter:** In December, KPEP distributed the first newsletter covering KPEP activities from Year One (in three languages).

**Monthly Reports:** In this quarter, KPEP started to issue a monthly report on three biggest achievements of the month, which is sent to the Booz Allen Home Office and also uploaded on the webpage.

**Fact Sheets:** Two new Fact Sheets were created: one general Fact Sheet on KPEP and another one specifying KPEP sectors and goals.

**Success Stories:** Successful events and achievements were captured immediately, including pictures. These stories are published on KPEP website, and are part of the growing success stories library.

**KPEP Identity:** Keeping in line with USAID branding rules and guidelines, special efforts have been put in promoting further the identity of KPEP. These efforts mainly consist of production of banners, roll ups and posters for events, fact sheets, brochures (VegCo brochure, both in English and Albanian), folders and pens. Special efforts were made to ensure that reports, power point presentations, invitations and other documents strictly follow USAID branding rules and guidelines on the correct use of languages. Templates for use by STTAs and KPEP staff were developed for this purpose. KPEP designed and printed a calendar for 2010, where each picture depicted a specific area where KPEP's work has had positive impact.

An important development in this area is the assistance that the Communications Specialist has provided to KPEP partners regarding appropriate use of USAID branding and identity, and KPEP's image in the promotional materials developed by them (subcontractor BSCK, STIKK – for ICT Job Fair, local consultant for non wood forest product collectors' training, construction material workshop).

The Communications Specialist reviews all STTA reports to ensure adherence to USAID guidelines on appropriate use of language and terminology, and USAID and KPEP branding and identity.

**Documentaries:** In this quarter, KPEP produced two documentaries: one on the business and economics intern reception, and the other on the Pejë/Peć Street Fair, which were uploaded on the KPEP website, and also distributed to the Ministry of Trade and Industry, Ministry of Economy and Finance, WUS Austria, Kosovo Tourism Association, and other relevant entities.

**Intranet:** The communications section contents were categorized by sector and updated every week.

**Website:** The KPEP news section was updated every week with the most important achievements, and photos.

In December, a local web design company was identified and work started for the new look of KPEP website.

## Event Organization

*Forestry.* In cooperation with the Forestry Specialist, an activity was planned and organized in Deçan/Dečane on November 12, 2009. The event “Award Ceremony for Best Three Essays and Drawings” with topics on the importance of forest protection had several goals: 1) to allow schoolchildren find more creative ways to express their thoughts on the importance of forest protection; 2) to use the children’s voice to reach out to their parents about the importance of forest protection; 3) to increase awareness of the situation with forests in the region of Deçan/Dečane and Kosovo-wide among the entire population; and 4) to take the first step towards a wider public campaign on protection of forests, prevention of illegal logging and FSC certification of Kosovo’s forests.

### ■ EVENT IMPACT ■

#### Why is it important to protect the forests

“I wonder: will the future generations have the chance to experience the same pleasure as we do? Will they be as healthy as we are? For sure not if we keep damaging our forests and fail to protect them” wrote Erblina Tahiraj, a 6<sup>th</sup> grade student, winner of the essay and drawing contest on the importance of forest protection, organized by the USAID Kosovo Private Enterprise Program.

KPEP collected over 150 essays from pupils of 5<sup>th</sup>-9<sup>th</sup> grades and over 200 drawings from pupils of 1<sup>st</sup>-4<sup>th</sup> grades from three schools in the area of Deçan/Dečane, of which an evaluation panel composed of the KPEP Forestry Specialist, CEO of Kosovo Forest Agency and one of the schools’ principal selected three winning essays and drawings. KPEP arranged for the drawings to be printed as posters and distributed them to USAID, and three schools. KPEP organized the award ceremony at the secondary school in Deçan/Dečane and developed the invitation, agenda, and a banner announcing the event. Kosovo’s public TV station RTK sent a crew that produced a documentary on the event. The press release was picked up by Lajm and Zeri newspapers, while the Ekonomia website published the press release and the winning essay.

*Workforce Development.* The Communications Specialist assisted the WfD Specialist with the organization of the Dairy Internship Certificate Ceremony held on October 30, 2009, where 10 students from the University of Prishtina, Faculty of Veterinary were issued certificates of successful completion of the internship with 5 dairy plants. As a result of this event planning, a standard certificate is developed that is now issued to all participants in KPEP-organized and KPEP-initiated training programs, internships and workshops.

## **D. PROGRAMMATIC AND ADMINISTRATIVE SUPPORT**

The PMU continues to be an integral part of the team's communications, leadership, and technical delivery working collaboratively with the field, Booz Allen headquarters, and USAID. At Booz Allen, the PMU provides not only backstopping programmatic support, but also ensures the firm's lessons learned, experience and corporate values are properly integrated and disseminated throughout the project team. The PMU serves as a liaison, advisor, and as technical subject matter and research experts to ensure successful project implementation and client satisfaction.

The PMU was responsible for assisting with all major client deliverables, including the Long-Term Staffing Plan, Accruals Reports, and Quarterly Reports. The PMU conducted analytical research in support of the field technical needs and provided substantive input to various research and business practices projects. The PMU also developed contextual indicators that continue to be used for evaluating the performance of the project.

To ensure the most efficient use of funds, as well as to carefully monitor and track expenditures, the PMU maintains its comprehensive financial management tool on a monthly basis. The Unit has reviewed and reconciled Operations Expense Reports working closely with field staff to adjust/correct, where necessary.

This quarter, the PMU has mobilized 22 short term technical specialists, including four agriculture specialists, one wood processing specialist, two forestry specialists, one road construction specialist, one tourism specialist, four IT specialists, one workforce development specialist, one foreign direct investment specialist, one association expert, two business services support specialists, one monitoring and evaluation specialist, one architectural licensing specialist, one legal and regulatory specialist, and one trade intelligence specialist. The mobilization processes included arrangement of contract agreements, processing of the staffing approval authorizations, processing of the mobilization paperwork, and support in invoicing.

The PMU continues to serve as a liaison between the project field team and our various short-term technical assistance experts. The Unit initiated and completed the various modifications necessary to field both independent consultants and subcontractor staff. This has included the preparation of statements of work (SOWs) and budgets for those team members. The PMU has processed and completed all the corresponding deployment and mobilization documentation including conducting appropriate due diligence for all candidates and providing support in all aspects of the mobilization from arranging contract terms through the final invoicing.

As the project is in its second year, the PMU has supported and prepared documentation requesting salary actions for CCN staff. In coordination with the field office, the Unit has also worked to identify and recruit experts for upcoming assignments.

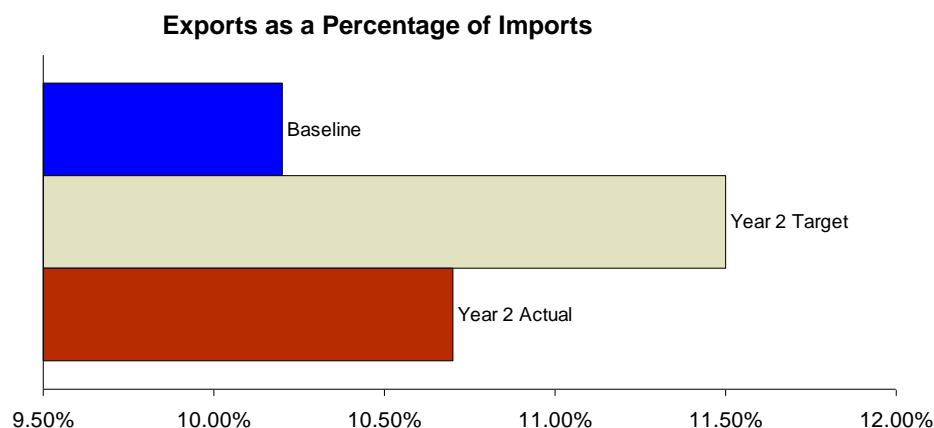
## Annex 1. Report on Indicators

### IR.1.3 (1) Accelerated Growth of Private Sector

#### Indicator: Exports as a Percentage of Imports – Kosovo Wide

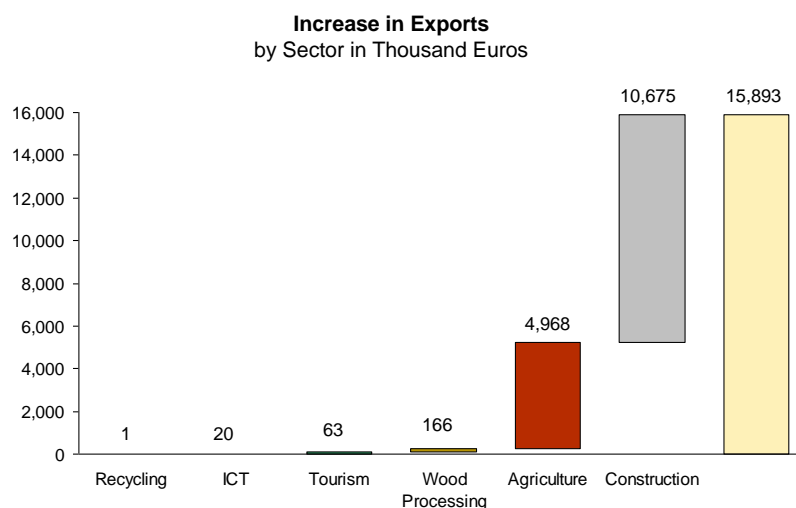
*Definition of the indicator:* The total value of exports divided by the total value of imports, by sector.

*Data Source:* Data is received from the Statistical Office of Kosovo.



*Quarterly Results:* The total value of exports divided by the total value of imports. The quarterly report contains data for two months: October and November 2009. Data for December is not published yet. The total value of exports for this period was €37.4 million, whereas imports were €350.0 million – i.e. the export coverage is 10.7%. There has been a positive trend in Kosovo's export/import coverage over the past few months. The export/import coverage in August 2009 was 6.2%, in September 7.0%, in October 7.6 percent and in November 8.8%.

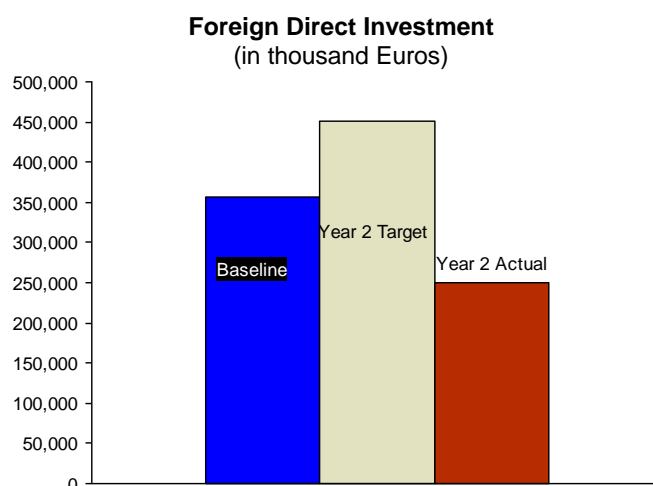
The data collected from KPEP client enterprises indicate that exports to date were €16.3 million, while the imports were €17.0 million, i.e. the export/import coverage was 95%, tenfold the Kosovo wide indicator. Comparing to the baseline data, exports increased by €15.9 million. The graph below shows the increase in exports by KPEP targeted sector.



**IR.1.3 (2) Accelerated Growth of Private Sector****Indicator: Foreign Direct Investment – Kosovo Wide**

*Definition of the indicator:* Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land, and infrastructure.

*Data Source:* Baseline data was received from Central Bank of the Republic of Kosovo.

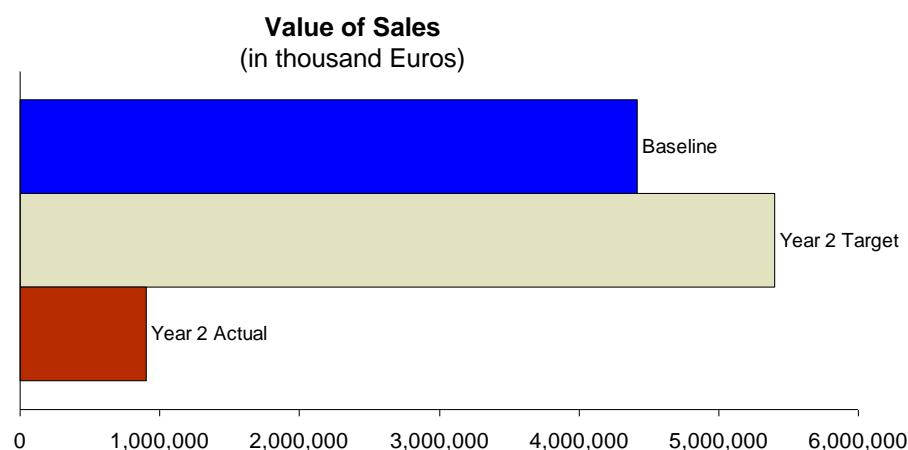


*Quarterly Results:* This indicator is reported annually. There is no data available on FDI for 2009. However, according to the Central Bank, FDI is projected to have decreased by 30 to 35 percent during 2009. The estimated actual data on FDI for 2009 is valued at €250,180; 30 percent less than the 2008 baseline data of €357,400.

**IR.1.3 (3) Accelerated Growth of Private Sector****Indicator: Value of sales, by sector – Kosovo Wide**

*Definition of the indicator:* Value of goods and services sold during the year measured as gross business sales.

*Data Source:* The data for this indicator has been collected from the Tax Administration of Kosovo.



*Quarterly Results.* The baseline includes the data for the period January-December 2008. Although this indicator is reported annually, KPEP has collected quarterly data for the period

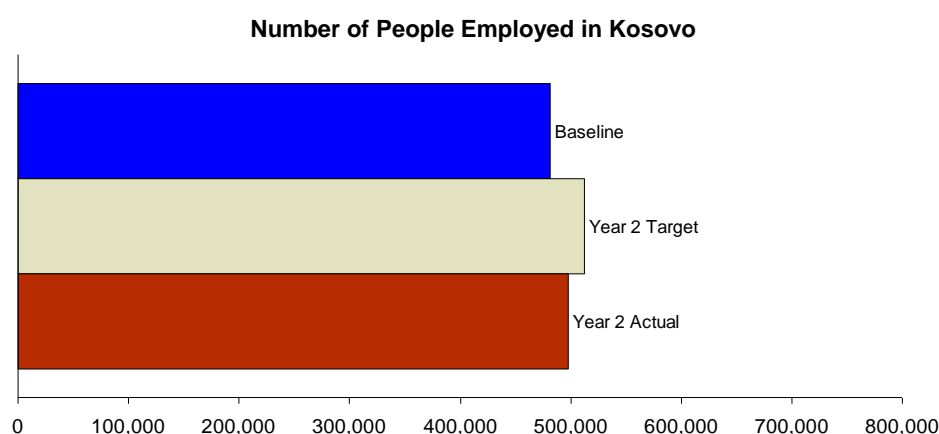
October-December 2009. The data on sales for this quarter is €0.9 million. Targets were set by the Tax Administration of Kosovo.

### IR.1.3 (4) Accelerated Growth of Private Sector

**Indicator:** Number of people employed, by sector – Kosovo Wide

*Definition of the indicator:* Number of people employed, disaggregated by sector.

*Data Source:* The baseline data for this indicator was collected from the Macroeconomic Department of the MFE. The actual quarterly data is collected from the Department for Labor and Employment (DLE) of Ministry of Labor and Social Welfare (MLSW).



*Quarterly Results.* The baseline data for 2008 show that 481,000 people are employed in Kosovo. This is a best estimate, since there is no complete data on individuals employed in private sector not legally registered as employees. The data received from the MLSW regarding employment is as of October 2009 (report “Information on Labor Market in Kosovo”, October 2009). The two main categories of this report are entries and exits. According to the DLE explanation in the report, by ‘entries’ they mean ‘new people that register as unemployed’, while by ‘exits’ they mean ‘people that are no longer registered at the unemployment bureau and became got employed’. Number of exits (people employed) for the period January-October was 18,197. So, actual data on employment using the data from MLSW indicates that currently there are 499,197 people employed.

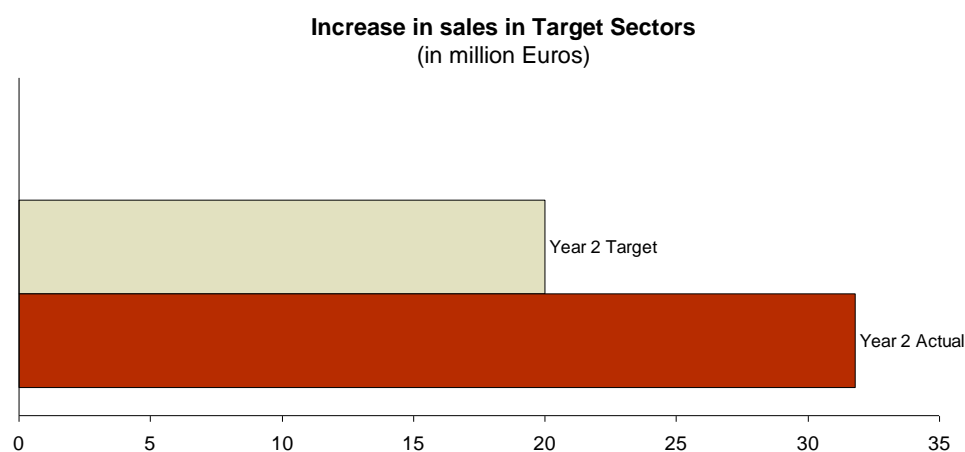
During this quarter, an additional 2,489 people were employed.



**IR.1.3.1 (1) Increased Competitiveness of Key Sectors****Indicator: Increase in Sales in Target Sectors**

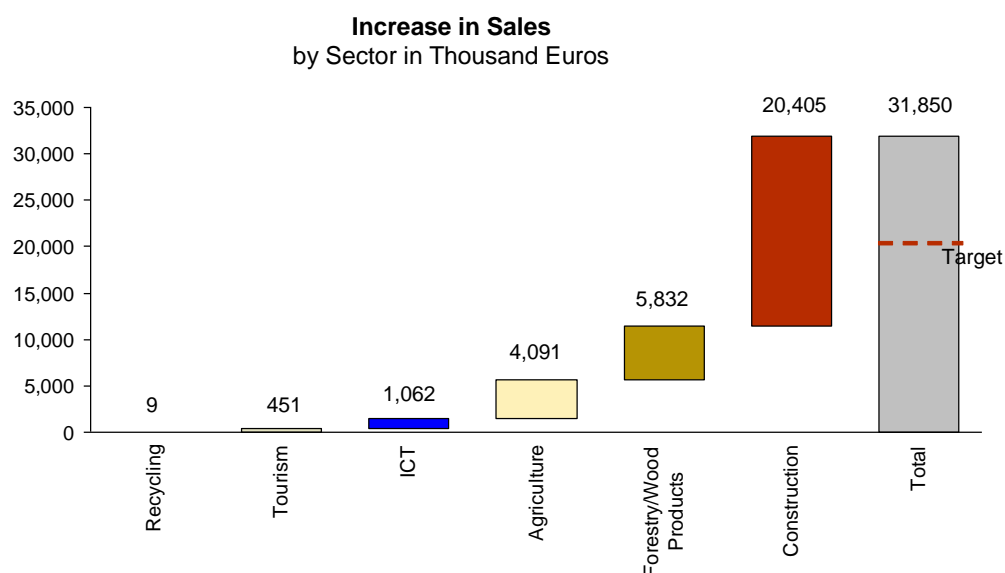
*Definition of the indicator:* The value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

*Data Source:* Data received from sector specialists.



*Quarterly Results.* The baseline value of sales is €72,592,144 which represents the sales data for 54 companies for the 12 month-period prior to inclusion into the KPEP system. This baseline figure is higher than the baseline of the previous report, since we included the baseline of the seven new companies. The cumulative target for Year 2 is an increase of sales of €20,000,000. The cumulative increase to date is €31,849,591, which means that KPEP already exceeded Year 2 target.

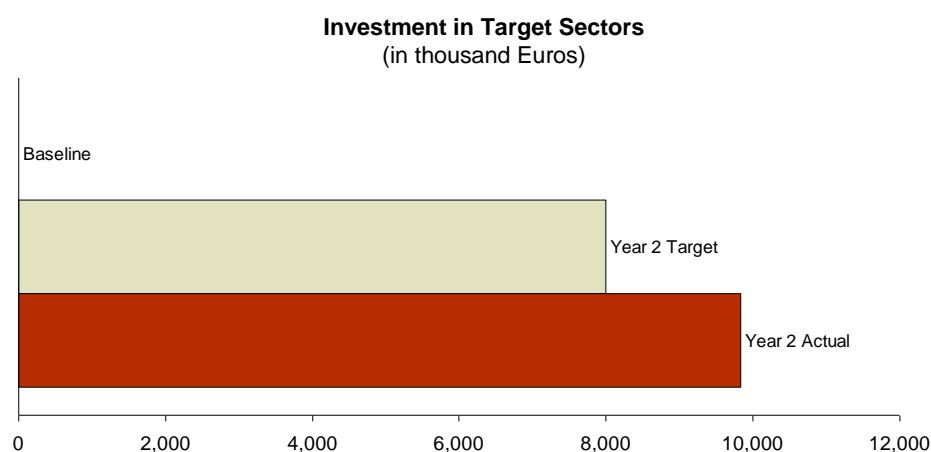
During this quarter, the increase in sales was €18,671,893. The main contributor to this increase is the construction sector.



**IR.1.3.1 (2) Increased Competitiveness of Key Sectors****Indicator: Increase in investments in target sectors**

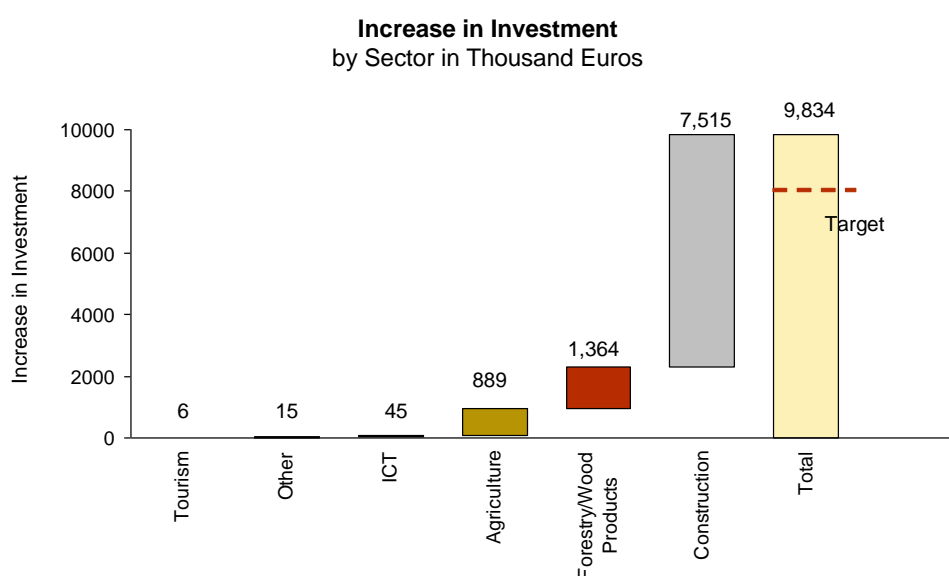
*Definition of the indicator:* Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

*Data Source:* Data received from sector specialists.



*Quarterly Results.* The cumulative value of investments to date for the life of the project is €9,834,686. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Year 2 is an increase in investments of €8,000,000, meaning that KPEP has already exceeded its target for the year in the first quarter.

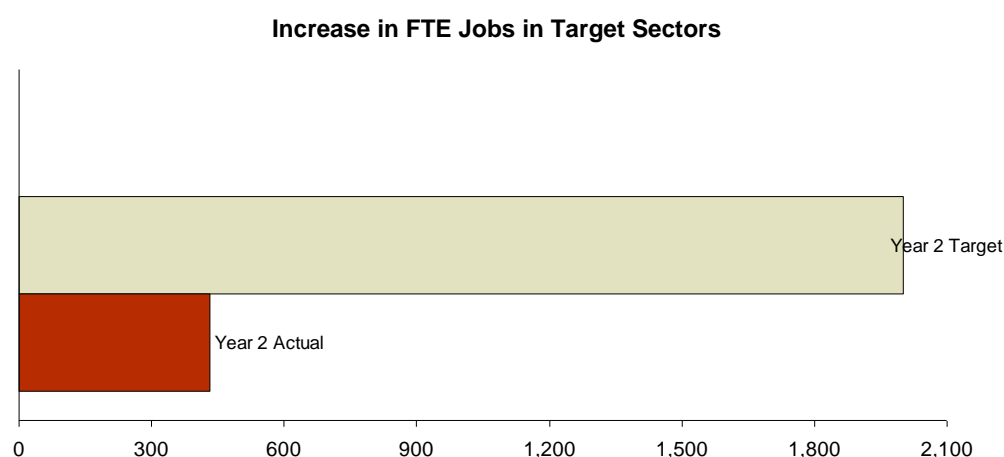
During this quarter alone, the increase in investments was €264,000. The main contributor to this increase was the construction sector.



**IR.1.3.1 (3) Increased Competitiveness of Key Sectors****Indicator: Increase in jobs created in target sectors**

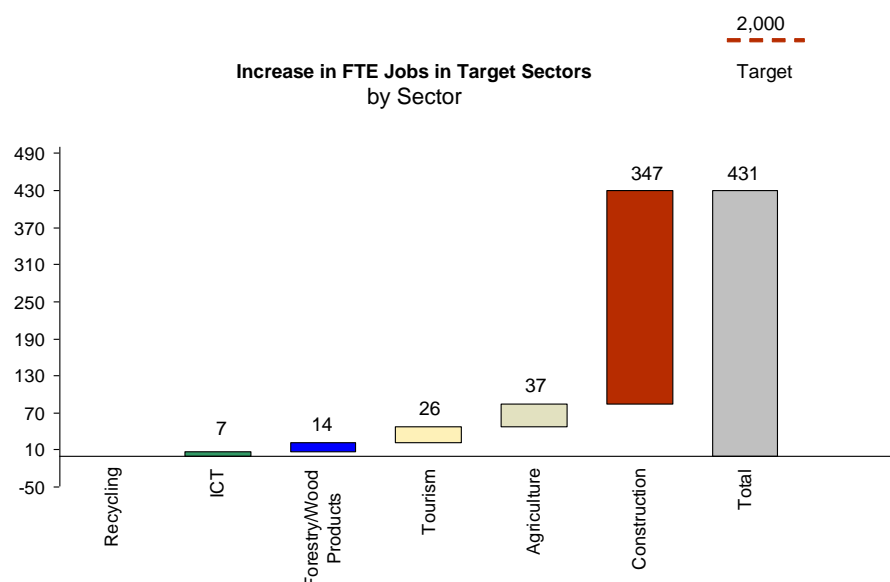
*Definition of the indicator:* Number of jobs created, disaggregated by target enterprise micro enterprises, and by sector, in terms of full-time equivalent jobs in target enterprises. Person days of employment (part-time employment) are converted to annual full-time equivalent - FTE jobs using 225 days of labor per year.

*Data Source:* Data received from sector specialists.



*Quarterly Results.* The baseline number for FTE jobs is 1,458 which represent the FTE data for 54 companies for the 12 month-period prior to inclusion into the KPEP system. The baseline year is 2008. The cumulative target for Year 2 is an increase of FTE jobs by 2,000. The cumulative increase of FTE jobs at KPEP client enterprises to date is 431 FTE jobs. While KPEP is below its job creation target, the project has been able to achieve a 30 percent increase, which stands in positive contrast with only 3 percent increase in employment at country level.

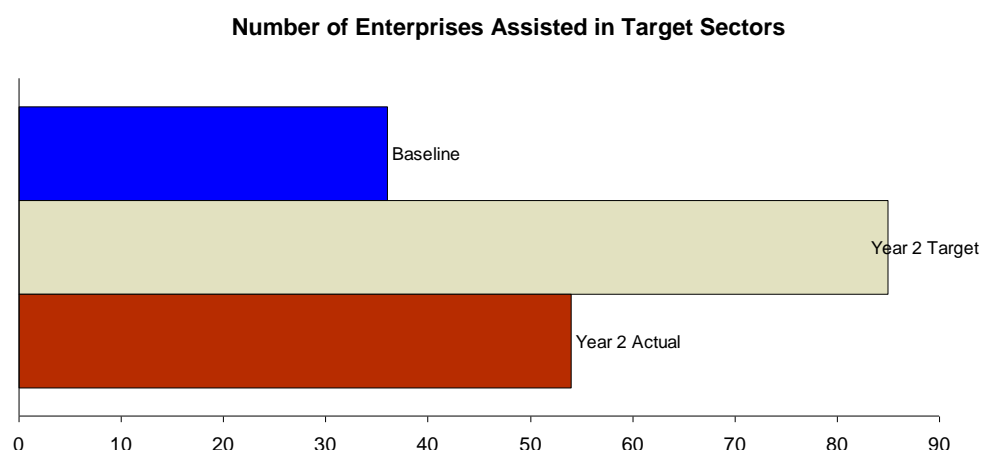
During this quarter alone, the increase in FTE jobs was 138. Provided below is the structure of increase in FTE jobs by sector. The main contributor to this increase is the construction sector.



**IR.1.3.1 (4) Increased Competitiveness of Key Sectors****Indicator:** Number of enterprises assisted in target sectors

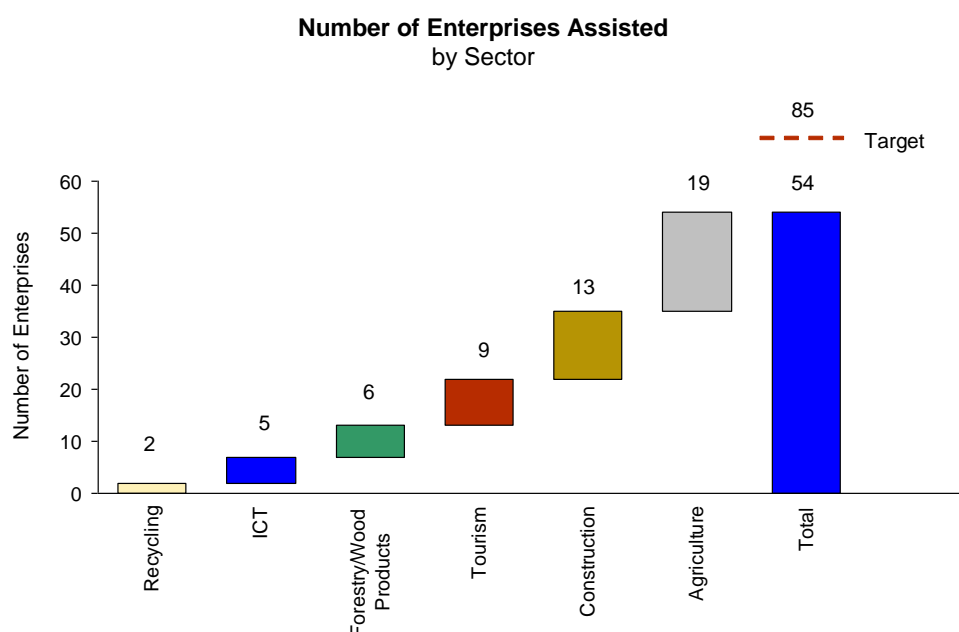
*Definition of the indicator:* Number of enterprises assisted directly by the project, disaggregated by micro enterprise.

*Data Source:* Data is received from sector specialists.



*Quarterly Results.* To date, there are 54 direct KPEP enterprises, including Year 2 1<sup>st</sup> quarter results. These companies have signed agreements of cooperation with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Year 2 is set at 85 enterprises. During this quarter, seven new companies were added to the PBMS system.

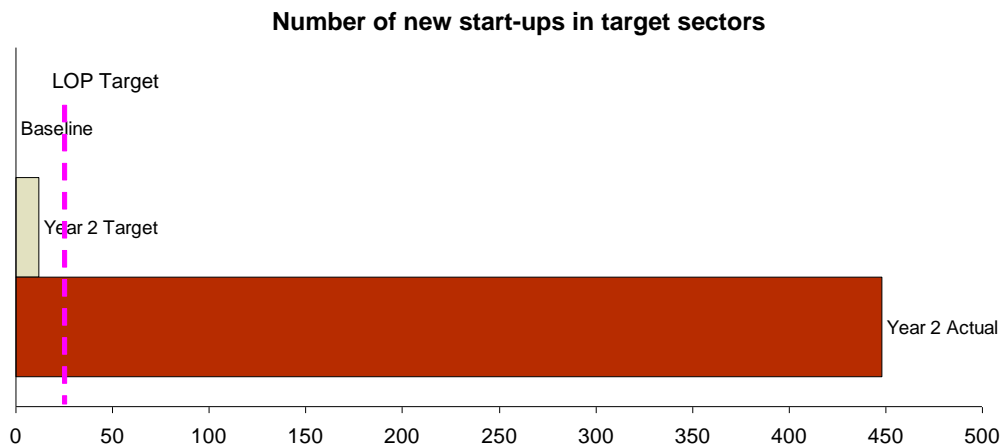
Provided below is the structure of KPEP client enterprises by sector.



**IR.1.3.1 (5) Increased Competitiveness of Key Sectors****Indicator: Number of new start-ups in target sectors, Kosovo wide**

*Definition of the indicator:* Number of new start ups, disaggregated by micro enterprise and sector.

*Data Source:* Data is received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).

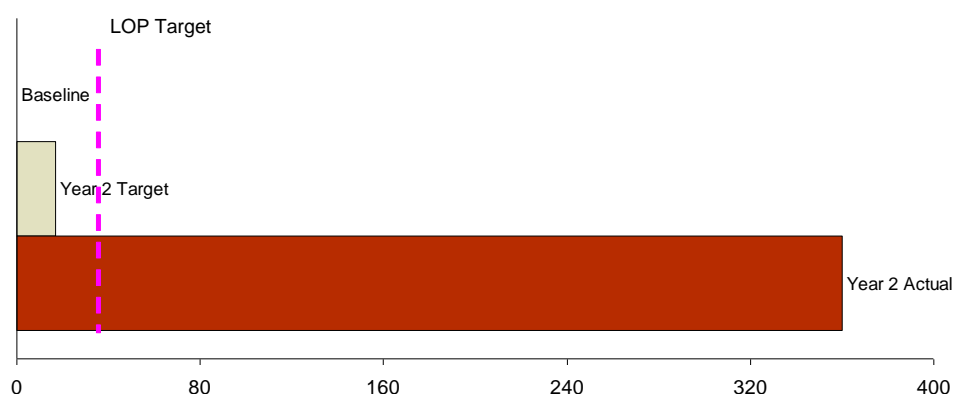


*Quarterly Results.* This indicator is reported annually. The report received from ABRK indicated that, from 5,641 businesses registered during 2009, ending on September 30, 2009, the total number of 448 new companies belongs to the sectors that KPEP is supporting. Out of this number, 174 companies are registered with activity code names which can be qualified as tourism sector activities, 123 in agriculture, 64 in construction, 62 in wood processing, 18 in forestry and 7 in recycling.

**IR.1.3.1 (6) Increased Competitiveness of Key Sectors****Indicator: Number of partnerships**

*Definition of the indicator:* Number of partnerships as a result of KPEP assistance. Partnerships refer to any strategic affiliation between businesses, including also partnerships with foreign businesses, and disaggregated by type of partnership.

*Data Source:* Data received from sector specialists.

**Number of Partnerships/Component 1**

*Quarterly Results.* The number of new partnerships increased to 360 by the end of this quarter. This number by far has exceeded the Life of the Project (LOP) target number of 34 partnerships. During this quarter alone, there have been established 67 new partnerships. *KPEP has proposed to USAID to remove this indicator from the PBMS reporting requirements as we consider that it is not reflective of KPEP's efforts in the sectors.*

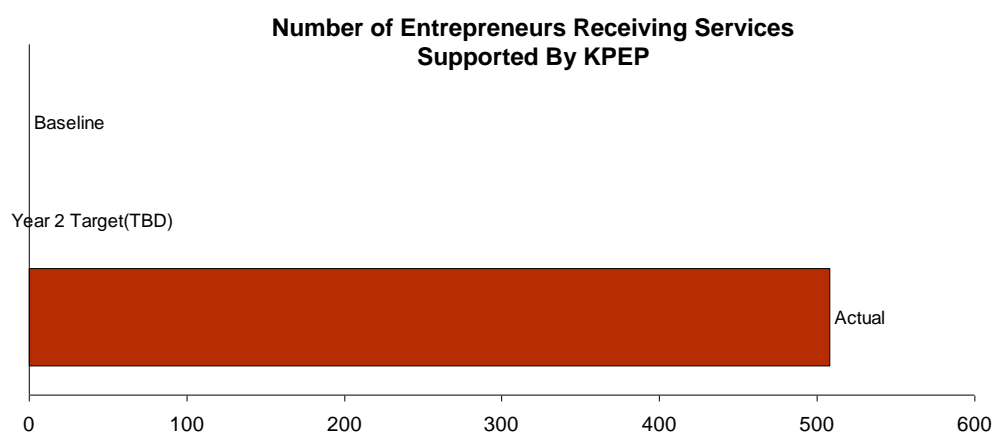
Below is the table indicating the partnerships by sector and sub-sector:

Sector	Sub-sector	Number of partnerships
Agriculture		<b>67</b>
	Dairy	24
	Fruits and vegetables	8
	Non-wood forest products	35
Construction		<b>206</b>
	Road Construction	176
	Construction Materials	30
ICT		<b>14</b>
	ICT	14
Forestry and Wood processing		<b>22</b>
	Wood processing	22
Tourism		<b>48</b>
	Tourism	48
Recycling		<b>3</b>
	Recycling	3
<b>Total</b>		<b>360</b>

**IR.1.3.1 (7) Increased Competitiveness of Key Sectors****Indicator: Number of entrepreneurs receiving services supported by USAID**

*Definition of the indicator:* Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

*Data Source:* Data received from sector specialists.

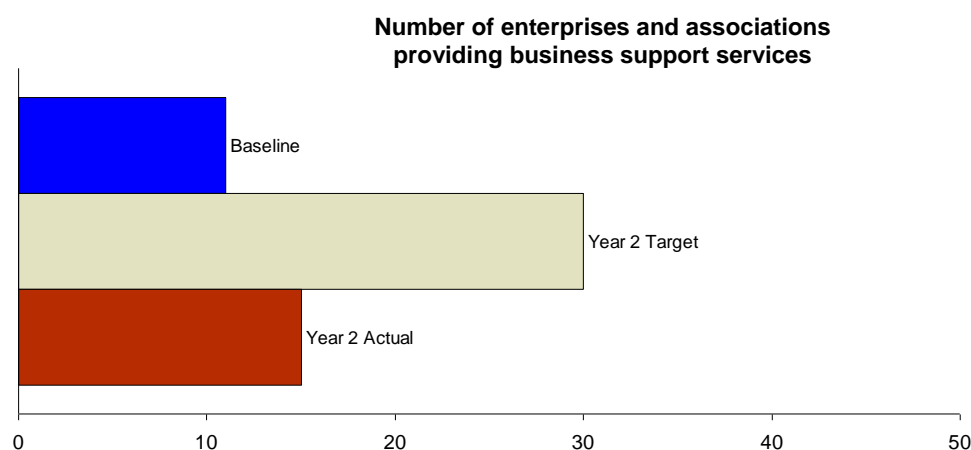


*Quarterly Results.* Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours (US, Bulgaria, etc.), HACCP assessment survey, trade and business linkages, etc. To date, the total number of 508 entrepreneurs received services supported by KPEP. During this quarter alone, number of entrepreneurs that received services by KPEP was 12.

**IR.1.3.2 (1) Improved and Demand Driven Business Support Services****Indicator: Number of enterprises and associations providing business support services**

*Definition of the indicator:* Number of enterprises and associations providing business support services that are assisted by KPEP.

*Data Source:* Data received from sector specialists and BSS team.



*Quarterly Results.* A total number of 15 BSPs are on the list of KPEP assisted BSPs. The companies that are on this list belong to two groups supported by KPEP: enterprises which



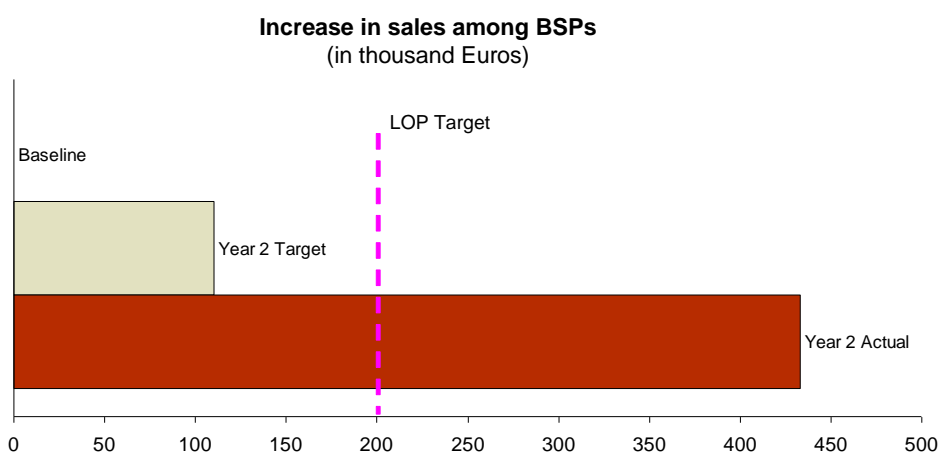
participated on Premier Advisor Training program, and companies that are twinning partners of international consultants that are engaged with KPEP program. This number is still below the Year 2 cumulative target of 30 BSPs. No new companies were added during the quarter.

### IR.1.3.2 (2) Improved and Demand Driven Business Support Services

#### Indicator: Increase of sales among BSPs

*Definition of the indicator:* Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

*Data Source:* Data received from sector specialists and BSS team.



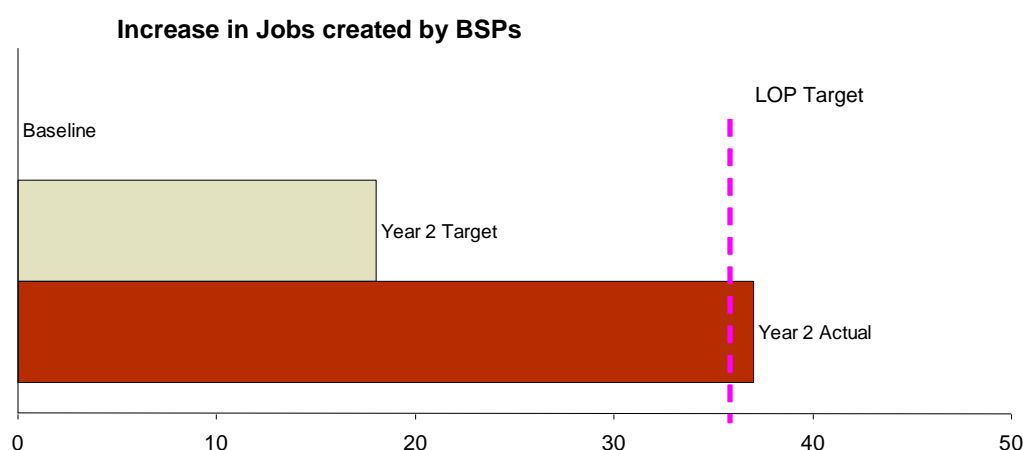
*Quarterly Results.* The target cumulative increase in sales for Year 2 is €110,000 over baseline. The cumulative increase in sales to date is €432,745, which already exceeds LOP target increase in sales of €200,000.

During this quarter, there was an increase in sales valued at €196,179.

**IR.1.3.2 (3) Improved and Demand Driven Business Support Services****Indicator: Increase in jobs created among USAID supported BSPs**

*Definition of the indicator:* Number of jobs created, among target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent - FTE jobs using 225 days of labor per year.

*Data Source:* Data received from sector specialists and BSS team.



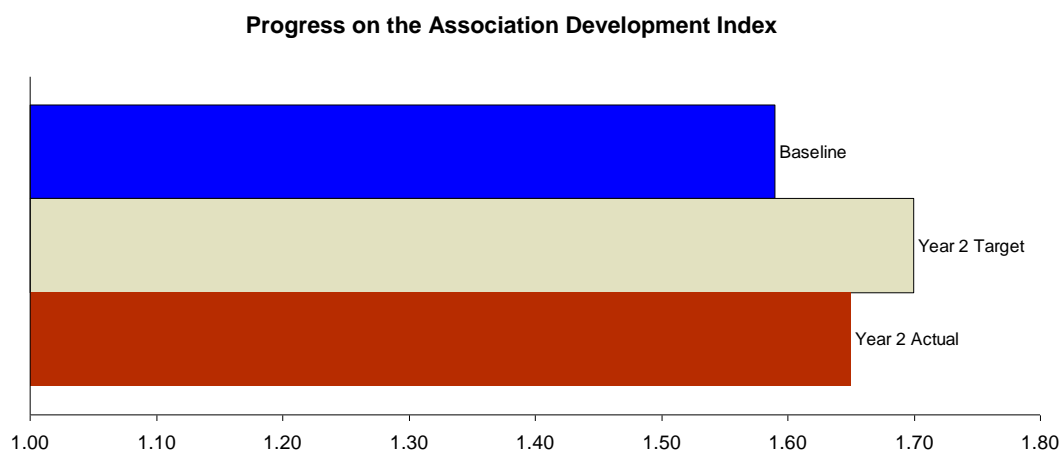
*Quarterly Results.* The target cumulative increase in FTE jobs over baseline for Year 2 is 18. The cumulative increase in FTE jobs to date for the life of the project is 37, which already exceeds the LOP target increase of 36 FTE jobs.

During this quarter alone, there were added 14 new FTE jobs.

**IR.1.3.2 (4) Improved and Demand Driven Business Support Services****Indicator: Progress on the Association Development Index**

*Definition of the indicator:* Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in Kosovo. Sixteen business associations were chosen for this purpose. The data was collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

*Data Source:* The annual survey was conducted during September 2009.



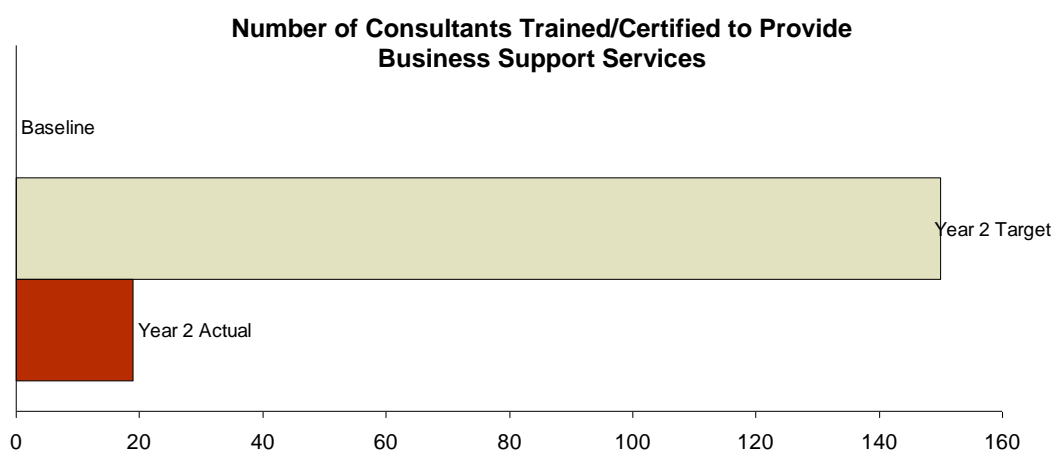
*Quarterly Results.* No changes to report during this quarter. This indicator is reported only on annual basis. The next annual survey will be conducted during September 2010.

#### **IR.1.3.2 (5) Improved and Demand Driven Business Support Services**

**Indicator:** Number of consultants trained/certified to provide business support services

*Definition of the indicator:* Number of consultants trained/ certified to provide business support services, trained by KPEP or a target BSP, supported by USAID.

*Data Source:* Data received from sector specialists and BSS team.

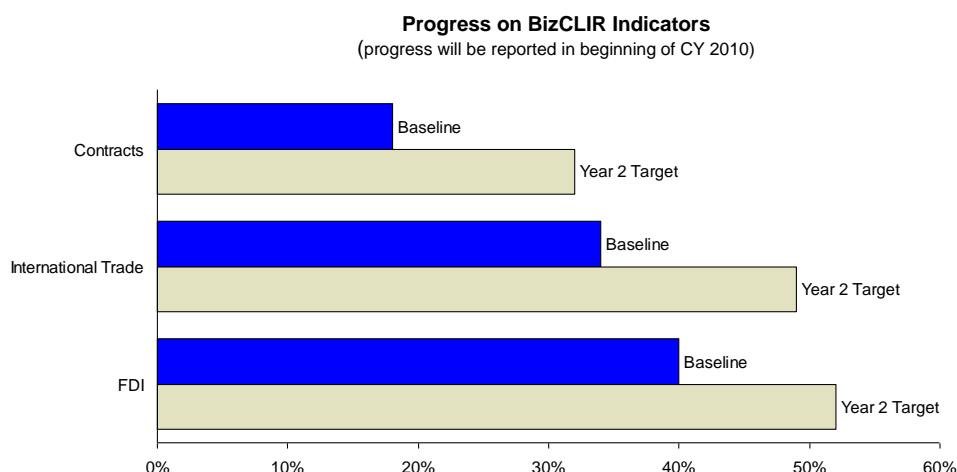


*Quarterly Results.* The cumulative target for the number of consultants trained or certified to provide business support services for Year 2 is 150. No changes were reported in this quarter. The actual result presented in the chart is the same as in the previous quarter. During the first year, 19 consultants were certified in the “Kosovo Premier Advisor” training course.

**IR.1.3.3 (1) Improved Business Operating Conditions****Indicator: Progress on the Business Environment Index (BizCLIR)**

*Definition of the Indicator:* The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent updates will chart progress of indicators and subcategories relevant to KPEP activities each year.

*Data Source:* An annual survey will be conducted to update BizCLIR Index

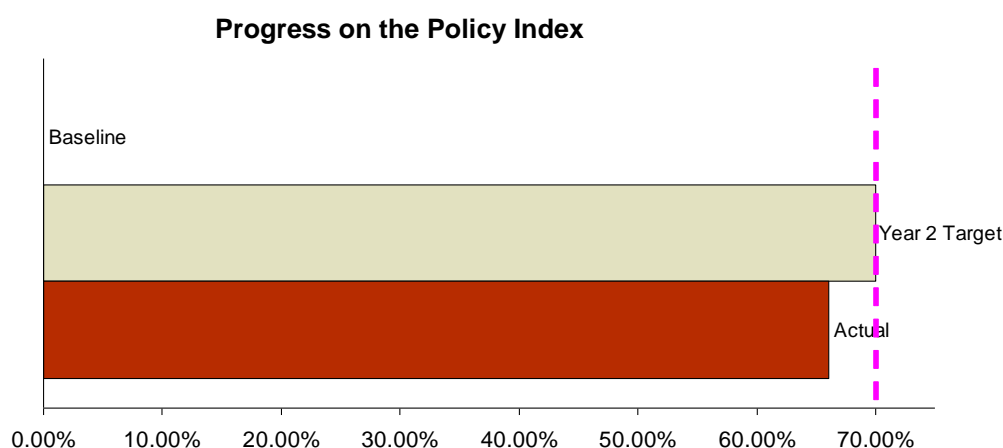


*Quarterly Results.* The annual survey will be conducted in the second quarter.

**IR.1.3.3 (2) Improved Business Operating Conditions****Indicator: Progress on the Policy index**

*Definition of the Indicator:* The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

*Data Source:* Data received from BEE team.



*Quarterly Results.* During this quarter, the BEE team worked on 6 policies:

- CEFTA implementation
- Implementation of the Food and Veterinary law
- Pilot Forest certification
- Law on Construction – Guidance on appropriate action regarding draft law
- ccTLD – Domain Registry Administrative Instruction
- Excise Tax Reform

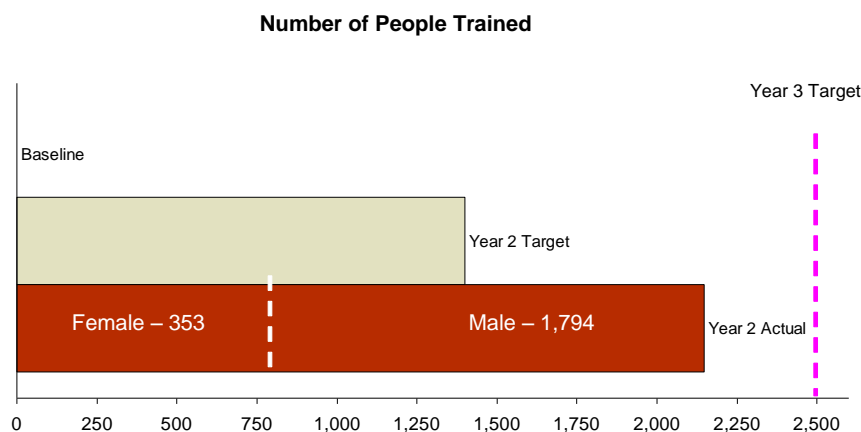
Overall score for all policies to date is 66%, calculated as a weighted average for the completion of all policies taken together.

### IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment Opportunities

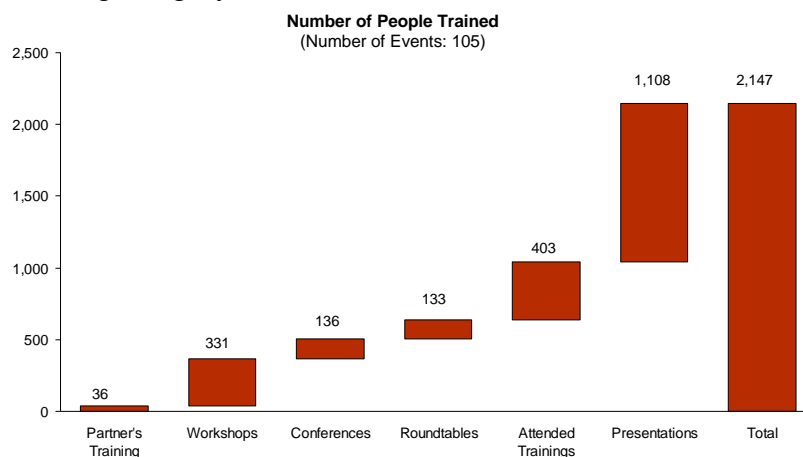
**Indicator:** Number of individuals trained through USAID sponsored training

*Definition of the indicator:* Number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training etc.

*Data Source:* Data received from sector specialists and WFD team.



*Quarterly Results.* To date, the number of people trained is 2,147. The Year 2 target has been already exceeded, and it is reasonable to estimate that Year 3 targets will also already be exceeded during this year. During this quarter alone, the number of people trained was 527. Below is the chart that presents the number of training events, and the number of people trained by training category.

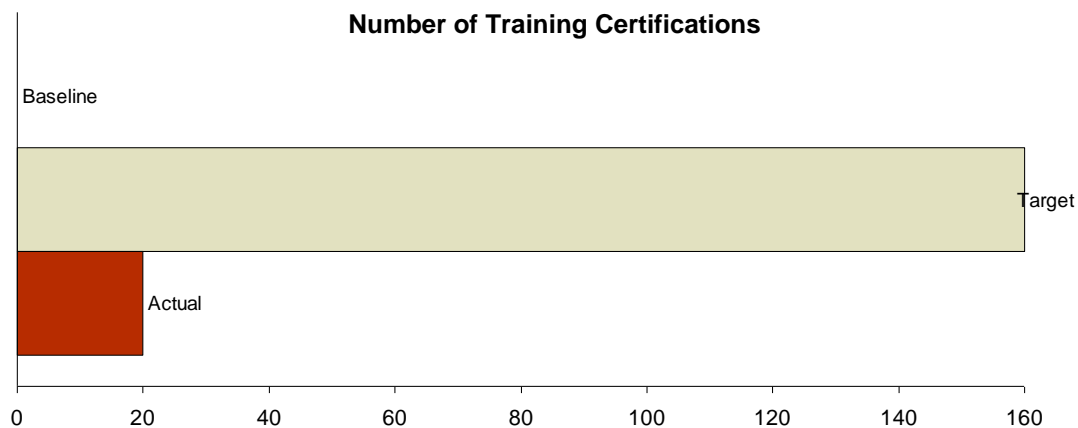


### IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

**Indicator:** Number of training certifications

*Definition of the indicator:* Number of training certifications earned by participants for completing the training.

*Data Source:* Data received from sector specialists and WFD team.



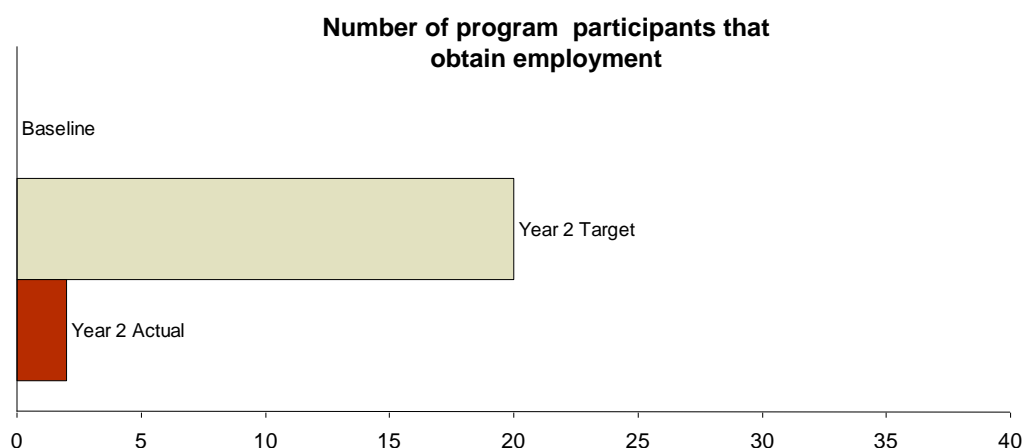
*Quarterly Results.* To date, the number of training certifications earned by participants for completing the training is 20. There were two events held during year one: A dairy internship program and a Business Economic internship program. 20 participants participating in these events received a certificate. Although the training events had taken place earlier, the certificates were awarded only during this quarter, and as a result, are reported here.

### IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

**Indicator:** Number of program participants that obtain employment

*Definition of the indicator:* Number of program participants that obtain employment, disaggregated by gender, ethnicity.

*Data Source:* Data received from sector specialists and WFD team.



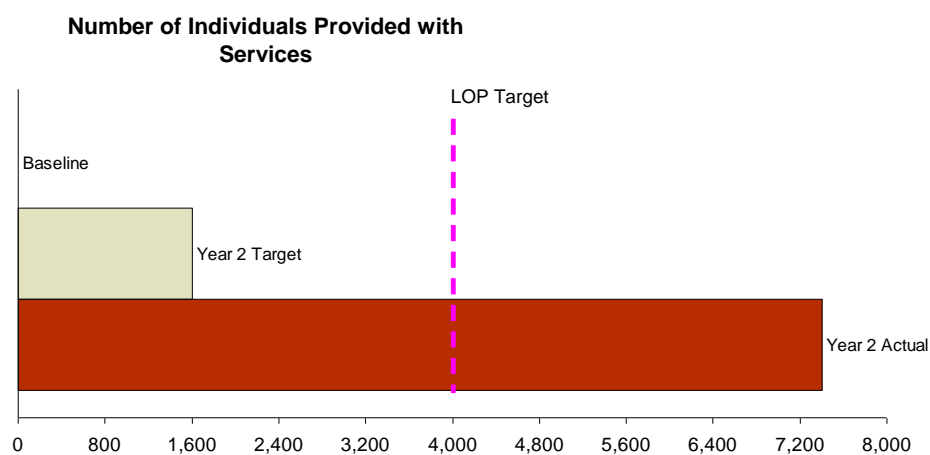
*Quarterly Results.* Two interns that completed Business Economic Internship program, supported by KPEP, obtained employment during this quarter.

#### **IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities**

**Indicator:** Number of individuals provided with services

*Definition of the Indicator:* Number of individuals provided with services, disaggregated by type of service: counseling, referrals, and placement. It excludes number of people trained since it is reported under Indicator of IR.1.3.4 (1).

*Data Source:* Data received from sector specialists and WFD team.



*Quarterly Results.* To date, the number of individuals provided with services is 7,403. The LOP cumulative target number, which is set at 4,000 individuals trained by the end of FY 2012, has already been exceeded.

The data reported derive from events and activities organized or supported by the WFD component and component one sector teams. The data on people participating in trade fairs is also included in this number. In total 7,206 individuals attended trade fairs supported by KPEP. During this quarter alone, the number of individuals provided with services was 77.

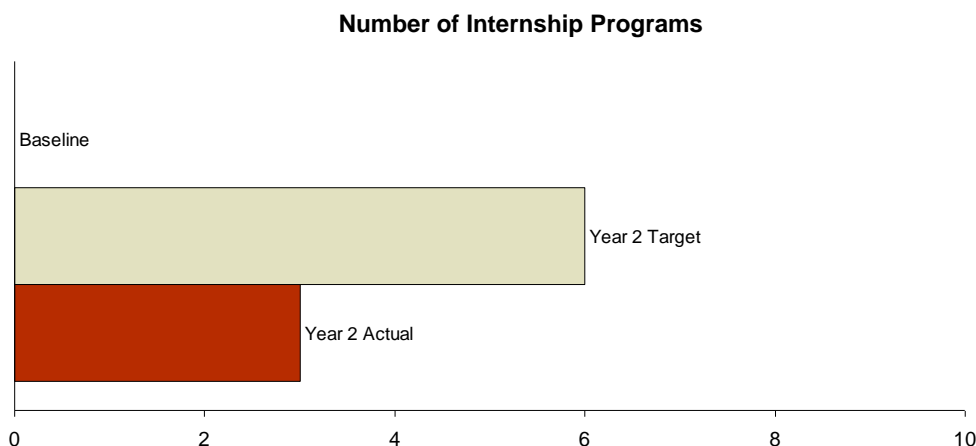


### IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities

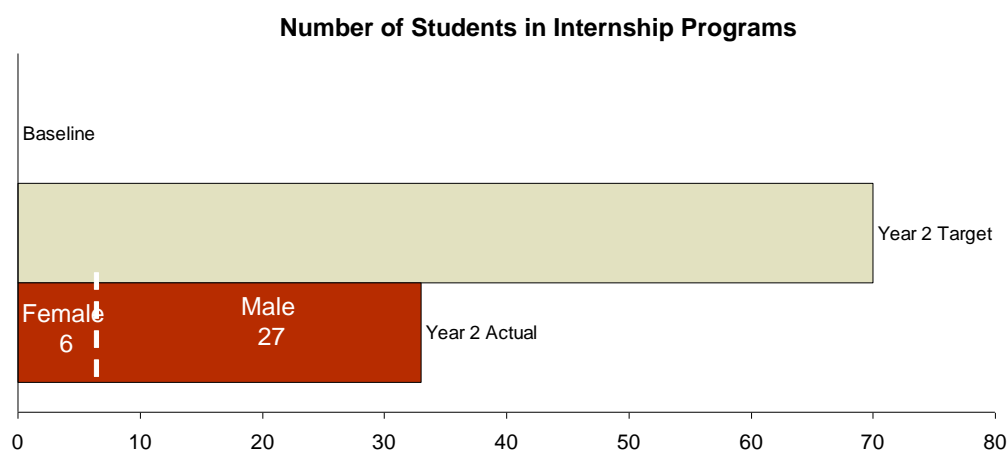
**Indicator:** Number of Internship programs

*Definition of the Indicator:* Internships include any sort of embedded training or on the job training.

*Data Source:* Data received from sector specialists and WFD team.



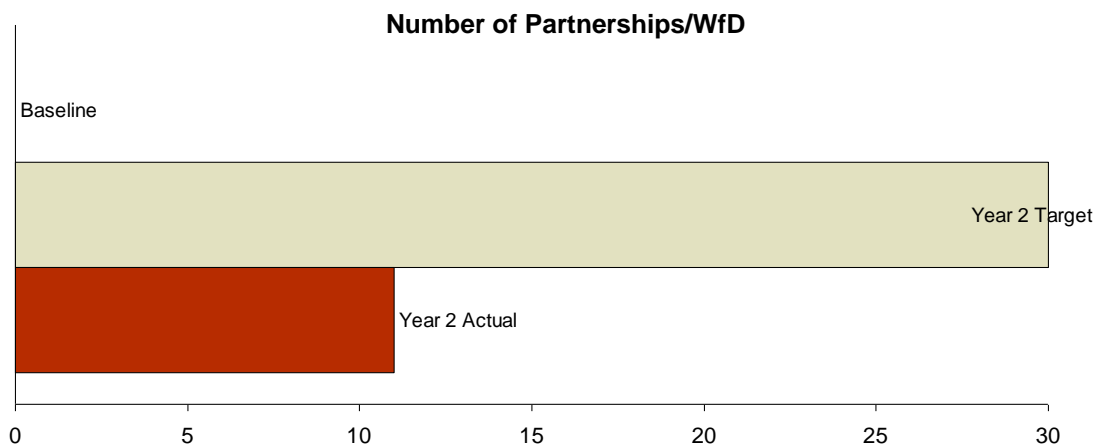
*Quarterly Results.* To date, KPEP organized three different activities related to internships: The Business Economics Internship, a dairy internship and a job fair for carpentry in Peja. In addition, the Kosovo Business Case Challenge competition, while not designed as an internship program, generated three internships. From the other three above-mentioned programs, a total of 30 students did an internship. The Accounting and Financial Analysis internship program started in late December, but interns will be placed in the next quarter and will be reported on at that time. The Year 2 cumulative target is six internship programs. We expect to exceed this number. Below is number of interns, disaggregated by gender.



**IR.1.3.4 (6) Improved Capacity of the Workforce to Engage in Employment Opportunities****Indicator: Number of partnerships**

*Definition of the Indicator:* Partnerships refer to any strategic affiliation between the training provider establishments and the business sector.

*Data Source:* Data received from sector specialists and WFD team.



*Quarterly Results.* To date, there were 11 partnerships established in four activities supported by KPEP: Dairy Internship-Phase One, Business Economics Internship, Business and Economics Interns presentation skills and Entrepreneurship training. One was established during this quarter through the Entrepreneurship training).

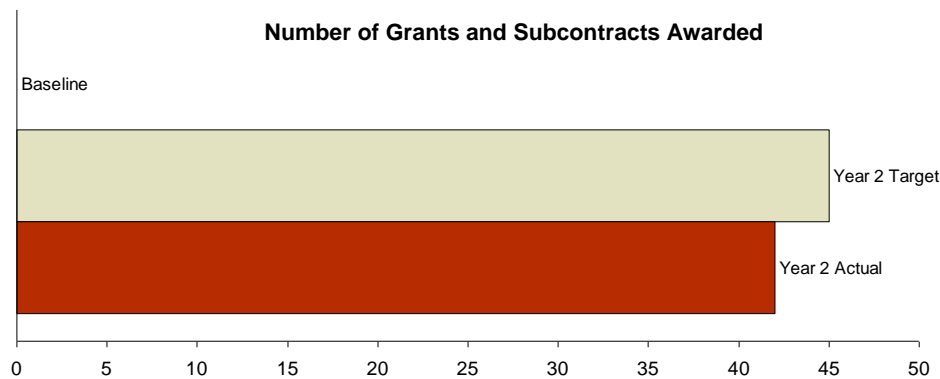
*KPEP has proposed to USAID to remove this indicator from the PBMS reporting requirements as we consider that it is not reflective of KPEP's efforts in the sectors.*

## Strategic Activities Fund

### Indicator: Number of grants/sub-contracts

*Definition of the Indicator:* Number of grants and sub-contracts awarded.

*Data Source:* Data received from SAF specialist.

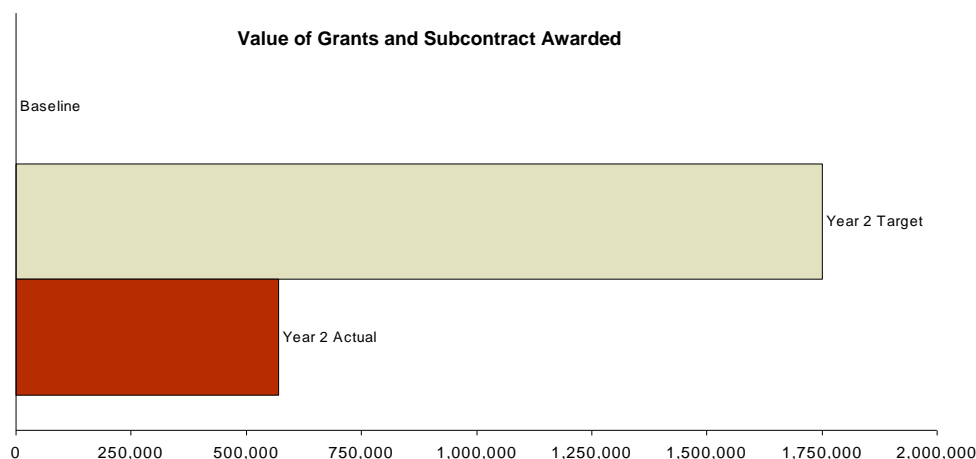


*Quarterly Results.* To date, 42 grants and sub-contracts have been awarded. During this quarter, 16 grants and sub-contracts were awarded.

### Indicator: Value of grants and sub-contracts

*Definition of the Indicator:* Value of grants and sub-contracts awarded.

*Data Source:* Data received from SAF specialist.



*Quarterly Results.* To date, the value of grants and sub-contracts awarded is €571,008. The value for this quarter is €123,171.

## Annex 2. PMP Report - Annual Goals and Results

SO# IR#	SO Name	Unit measure	Base-line Year	Base-line Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3	<b>Accelerated Growth of Private Sector</b>											
Indicators												
1 (AR)	Exports as percent of imports, by sector	Percent	2008	10.2%	11.0%	7.5%	11.5%	10.7%	12.0%	0.0%	13.0%	0.0%
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	250,180	451,000	0.0	475,000	0.0	500,000	0.0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	903,289	6,000,000	0	6,700,000	0
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	499,197	523,000	0	534,000	0
1.3.1	<b>Increased Competitiveness of Key Sectors</b>											
Indicators												
1	Increase in sales in target sectors	Euros	2008	72,592,144	8,000,000	13,177,698	20,000,000	31,849,591	40,000,000	0	50,000,000	0
	percent increase in sales over current baseline	Percent	2008	0	11.0%	23.0%	27.6%	43.9%	55.1%	0.0%	68.9%	0.0%
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	9,834,686	16,000,000	0	20,000,000	0
3 (AR)	Increase in jobs created in target sectors	Number	2008	1,458	800	293	2,000	431	4,000	0	5,000	0
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	54	110	0	140	0
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	0	16	0	20	0
6	Number of partnerships	Number	2008	0	10	213	17	360	26	0	34	0
7	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	TBD	508	TBD	0	TBD	0

1.3.2	Improved and Demand Driven Business Support Services											
Indicators												
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	0	40	0
2	Increase of sales among BSPs	Euros	2008	1,029,210	40,000	236,566	110,000	432,745	150,000	0	200,000	0
3	Increase in jobs created among USAID supported BSPs	Number	2008	81	8	23	18	37	31	0	36	0
4	Progress on the Association Development Index	Median score	2008	1.59	1.60	1.65	1.70	0.00	1.90	0.00	2.00	0.00
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	0	300	0
1.3.3	Improved Business Operating Conditions											
Indicators												
1	Progress on the Business Environment Index (BizCLIR)											
1.1	Contracts	Percent	2008	18%	25%	0%	32%	0%	40%	0%	50%	0%
1.1.1	Supporting Institutions (B.3)	Percent	2008	10%	15%	0%	19%	0%	24%	0%	30%	0%
1.1.2	Social Dynamics (B.4)	Percent	2008	26%	35%	0%	44%	0%	55%	0%	69%	0%
1.2	International Trade	Percent	2008	34%	41%	0%	49%	0%	59%	0%	70%	0%
1.2.1	Legal Framework (H.1)	Percent	2008	41%	45%	0%	53%	0%	63%	0%	74%	0%
1.2.2	Implementing Institutions (H.2)	Percent	2008	27%	40%	0%	47%	0%	56%	0%	65%	0%
1.2.3	Supporting Institutions (H.3)	Percent	2008	35%	40%	0%	47%	0%	56%	0%	65%	0%
1.2.4	Social Dynamics (H.4)	Percent	2008	34%	40%	0%	50%	0%	62%	0%	76%	0%

1.3	Foreign direct investment, by sector	Percent	2008	40%	48%	0%	52%	0%	55%	0%	60%	0%
1.3.1	Legal Framework (K.1)	Percent	2008	43%	45%	0%	49%	0%	52%	0%	57%	0%
1.3.2	Implementing Institutions (K.2)	Percent	2008	36%	45%	0%	49%	0%	52%	0%	57%	0%
1.3.3	Supporting Institutions (K.3)	Percent	2008	54%	60%	0%	65%	0%	70%	0%	76%	0%
1.3.4	Social Dynamics (K.4)	Percent	2008	28%	40%	0%	43%	0%	47%	0%	50%	0%
2	Progress on the policy index	Percent	2008	0	70%	72%	75%	66%	TBD	0	TBD	0
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indicators												
1	The number of individuals trained through USAID sponsored training	Number	2008	0	700	1,620	1,400	2,147	2,500	0	3,000	0
2	Number of training certifications	Number	2008	0	80	20	160	20	275	0	325	0
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	2	100	0	150	0
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	7,403	3,500	0	4,000	0
5	Number of internships	Number	2008	0	3	3	6	3	8	0	10	0
6	Number of partnerships	Number	2008	0	15	6	30	11	40	0	50	0
	Strategic Activities Fund											
Indicators												
1	Number of grants/sub-contracts	Number	2008	0	20	26	45	42	70	0	90	0
2	Value of grants and sub-contracts	Euros	2008	0	400,000	447,837	1,750,000	571,008	2,370,000	0	2,625,000	0

## Annex 3. PMP Report - Summary of Quarterly Results

SO# IR#	SO Name	Unit measure	Base- line Year	Base-line Value	2010 Target	Q1 2010 Actual	Q2 2010 Actual	Q3 2010 Actual	Q4 2010 Actual	2010 To Date
1.3	Accelerated Growth of Private Sector									
Indicators										
1 (AR)	Exports as percent of imports, by sector	Percent	2008	10.2%	11.5%	10.7%				10.7%
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	451,000	0				0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	5,400,000	903,289				903,289
4	Number of people employed, by sector	Number	2008	481,000	512,000	2,489				2,489
1.3.1	Increased Competitiveness of Key Sectors									
Indicators										
1	Increase in sales in target sectors	Euros	2008	72,592,144	20,000,000	18,671,893				18,671,893
	percent increase in sales over current baseline	Percent	2008	0	27.6%	25.7%				25.7%
2	Increase in investments in target sectors	Euros	2008	0	8,000,000	264,000				264,000
3 (AR)	Increase in jobs created in target sectors	Number	2008	1,458	2,000	138				138
4	Number of enterprises assisted in target sectors	Number	2008	36	85	7				7
5	Number of new start-ups in target sectors	Number	2008	0	12	0				0
6	Number of partnerships	Number	2008	0	17	147				147
7	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	12				12



1.3.2	Improved and Demand Driven Business Support Services									
Indicators										
1	Number of enterprises and associations providing business support services	Number	2008	11	30	0				0
2	Value of sales among BSPs	Euros	2008	1,029,210	110,000	196,179				196,179
3	Increase in jobs created among USAID supported BSPs	Number	2008	81	18	14				14
4	Progress on the Association Development Index	Median score	2008	1.59	1.70	0.00				0.00
5	Number of consultants trained/certified to provide business support service	Number	2008	0	150	0				0
1.3.3	Improved Business Operating Conditions									
Indicators										
1	Progress on the Business Environment Index (BizCLIR)									
1.1	Contracts	Percent	2007	18%	25%	0				0
1.1.1	Supporting Institutions (B.3)	Percent	2007	10%	15%	0				0
1.1.2	Social Dynamics (B.4)	Percent	2007	26%	35%	0				0
1.2	International Trade	Percent	2007	34%	41%	0				0
1.2.1	Legal Framework (H.1)	Percent	2007	41%	45%	0				0
1.2.2	Implementing institutions (H.2)	Percent	2007	27%	40%	0				0
1.2.3	Supporting Institutions (H.3)	Percent	2007	35%	40%	0				0
1.2.4	Social Dynamics (H.4)	Percent	2007	34%	40%	0				0

1.3	Foreign direct investment, by sector	Percent	2007	40%	48%	0				0
1.3.1	Legal Framework (K.1)	Percent	2007	43%	45%	0				0
1.3.2	Implementing institutions (K.2)	Percent	2007	36%	45%	0				0
1.3.3	Supporting Institutions (K.3)	Percent	2007	54%	60%	0				0
1.3.4	Social Dynamics (K.4)	Percent	2007	28%	40%	0				0
2	Progress on the policy index	Percent	2008	0	75%	66%				66%
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities									
Indicators										
1	The number of individuals trained through USAID sponsored training	Number	2008	0	1,400	527				527
2	Number of training certifications	Number	2008	0	160	20				20
3	Number of program participants that obtain employment	Number	2008	0	20	2				2
4	Number of individuals provided with services	Number	2008	0	1,600	77				77
5	Number of internships	Number	2008	0	6	0				0
6	Number of partnerships	Number	2008	0	30	1				1
	Strategic Activities Fund									
Indicators										
1	Number of grants/sub-contracts	Number	2008	0	45	16				16
2	Value of grants and sub-contracts	Euros	2008	0	1,750,000	123,171				123,171

## Annex 4. Quarterly dashboard

Component/Sector		Objectives and activities from the work plan	STATUS
Overarching KPEP Objective			
	Objective 1: Launch a national dialog on competitiveness		
<b>I. COMPONENT 1: INCREASED COMPETITIVENESS OF KEY SECTORS</b>			
<b>A. TRANSFORMATIONAL SECTORS</b>			
<b>1. SECTOR: AGRICULTURE</b>			
<b>1.1. SUB-SECTOR: DAIRY</b>			
<b>Objective 1: Improve product quality</b>			
	Activity 1: Support dairy internship program		
	Activity 2: Initiate Support a study tour to Lithuania for Kosovo Food and Veterinary Agency (KFVA) dairy internship program (University of Pristina)		
	Activity 3: Conduct dairy technology short course		
<b>Objective 2: Improve product marketing and strengthen business to business relations</b>			
	Activity 1: Promote Consumption of Dairy Products		
	Activity 2: Strengthen relationship between dairy processors and local retail chains		
<b>Objective 3: Improve packaging</b>			
	Activity 1: Improve packaging		
	Activity 2: Develop local packaging industry		
<b>Objective 4: Support Dairy Policy Development</b>			
	Activity 1: Assist MAFRD and key stakeholder to formulate a national dairy policy (ongoing)		
	Activity 2: Assistance to implement dairy policy		
<b>1.2 SUB-SECTOR: VEGETABLES</b>			
<b>Objective 1: Expand domestic market share and penetrate new export markets</b>			

	Activity 1: Develop and execute a communications strategy for the promotion of Kosovo produced fruits and vegetables	
	Activity 2: Facilitate regional “sales calls” targeting Macedonia, Albania, and Montenegro	
	Activity 3: Attend regional trade shows: Plovdiv, Novi Sad, Tirana	
	Activity 4: Fruit and vegetable outlook and B2B conference	
	<b>Objective 2: Develop vegetable infrastructure through collection centers</b>	
	Activity 1: Promote the development of fruit and vegetable collection centers	
	<b>Objective 3: Improve vegetable production, collection, and processing</b>	
	Activity 1: New variety trials	
	Activity 2: New technology demonstrations	
	Activity 3: Expand the use of local consultants to monitor production and quality	
	Activity 4: Assist lead firms and farmers to obtain HACCP and organic certification	
	<b>1.3. SUB-SECTOR: NON-WOOD FOREST PRODUCTS</b>	
	<b>Objective 1: Penetrate new markets</b>	
	Activity 1: Attend Trade Shows in Europe and the US	
	Activity 2: Provide marketing assistance and market research to the lead firms	
	<b>Objective 2: Develop new management and production practices</b>	
	Activity 1: Provide assistance to establish HACCP and organic certification	
	Activity 2: Field demonstrations for cultivation of NWFP	
	Activity 3: Facilitate the development of value chain efficiencies in collection management and satellite collection centers	
	Activity 4: Conduct the annual wild blueberry conference	
	<b>2. SECTOR: CONSTRUCTION</b>	
	<b>2.1. SUB-SECTOR: ROAD CONSTRUCTION</b>	
	<b>Objective 1: Improve Local Road Design Capability</b>	
	Activity 1: Draft and sign the MOU between KPEP and MTC	
	Activity 2: Provide technical assistance and training for the feasibility study and for detailed design and technical specifications	

	Activity 3: Produce a documentary film on safety and road design and construction. NEW	
	<b>Objective 2: Upgrade the Skills of Construction Workers</b>	
	Activity 1: Draft and sign MOU between MTC, Road Construction Association of Kosovo (RCAK )and KPEP	
	Activity 2: Develop curriculum and start training for HEOT-NEW	
	Activity 3: Take measures to establish the HEOTC as a sustainable training institution in Kosovo	
	<b>Objective 3: Improve the ability of selected road construction companies to meet international standards</b>	
	Activity 1: Assist lead road construction companies and producers improve operations	
	Activity 2: Assist lead road construction companies and producers improve production processes and meet standards	
	<b>2.2. SUB-SECTOR: CONSTRUCTION MATERIALS</b>	
	<b>Objective 1: Improve Architectural Design and Engineering Services</b>	
	Activity 1: Train engineers, architects, and other participants in the building materials value chain on writing technical information and specifications and other subjects as determined by value chain focus groups, industry participants and international experts.	
	Activity 2: Support stakeholders on establishing the process for licensing of architects and engineers	
	<b>Objective 2: Assist selected building material manufacturers to be more competitive in meeting local, regional, and international demand</b>	
	Activity 1: Identify firms and products with high potential for import replacement and export	
	Activity 2: Provide technical assistance to target companies to improve production efficiency and meet international standards	
	Activity 3: Improve marketing, business linkages and customer services	
	<b>3. SECTOR: FORESTRY AND WOOD PRODUCTS</b>	
	<b>3.1. SUB-SECTOR: FORESTRY</b>	
	<b>Objective 1: Forest certification through Forest Stewardship Council</b>	
	Activity 1: KPEP forestry specialist will chair the Kosovo Standards Development Group	
	Activity 2: Develop a forest certification manual	
	Activity 3: Develop Forest Stewardship Council Standards	
	Activity 4: Identify at least 3 forest management units for forest certification	
	Activity 5: Forest certification gap analysis	

	Activity 6: Forest certification training for the local stakeholders and communities within the candidate forest management units	
	Activity 7: Forest certification training for Ministry of Agriculture, Forestry and Rural Development (MAFRD) personnel	
	Activity 8: Conduct pre-certification forest testing	
	Activity 9: Chain of custody training for Association of Wood Processors of Kosovo (AWPK)	
	Activity 10: Conduct a forest certification assessor's training	
	Activity 11: Execute a forest certification communication plan	
	<b>Objective 2: Reduce illegal logging</b>	
	Activity 1: Develop a national strategy to reduce illegal logging	
	Activity 2: Implement key measures under the national strategy developed under activity 1	
	<b>Objective 3: Improve government leasing and tendering practices</b>	
	Activity 1: International best practices study	
	Activity 2: Promote awareness of international best practices among key stakeholders	
	Activity 3: Support the development of Forestry PPP Model Contract	
	<b>Objective 4: Promote use of bio mass as an alternative energy source</b>	
	Activity 1: Key measures identified in feasibility study undertaken in year one are implemented with support from KPEP	
	<b>3.2. SUB-SECTORS: WOOD PRODUCTS</b>	
	<b>Objective 1: Developing new markets and new driven products of international quality standards</b>	
	Activity 1: Develop new business linkages	
	Activity 2: Participate in both regional and international trade shows	
	Activity 3: Identify new products	
	<b>Objective 2: Improve production techniques and business practices</b>	
	Activity 1: Provide training on business finance	
	Activity 2: Support the development of export plans	
	Activity 3: Help AWPK organize a training course for furniture design and engineering	
	Activity 4: Provide assistance to improve manufacturing processes	

	<b>Objective 3: Strengthen the Association of Wood Processors in Kosovo (AWPK)</b>	
	Activity 1: Assist AWPK in developing and implementing its annual plan	
	Activity 2: Support AWPK in participating in international initiatives	
	Activity 3: Support Kosovo Standards Agency (KSA) and wood products development committee to identify, adapt, and implement EN standards	
<b>4. SECTOR: INFORMATION AND COMMUNICATION TECHNOLOGY</b>		
	<b>Objective 1: Improve marketing and sales capabilities for selected firms and expand market linkages</b>	
	Activity 1: Regional ICT B2B events	
	Activity 2: Workshop on Outsourcing	
	Activity 3: Support for the development of inbound call centers	
	Activity 4: Tender G2B Portal	
	Activity 5: E-Marketing Workshop	
	Activity 6: ICT Fair in Pristina	
	Activity 7: Training in ICT Sales and Customer Relations Management (CRM)	
	<b>Objective 2: Improve workforce skills and support job placement services in ICT sector</b>	
	Activity 1: ICT Vendor Training and certification	
	Activity 2: PMP Training and certification	
	Activity 3: Cyber Security Training	
	Activity 4: ICT Job-Fair (organized together with Workforce Development)	
	Activity 5: Feasibility Study on ICT Business Incubator	
	<b>Objective 3: Strengthen ICT Association</b>	
	Activity 1: Training in association building	
	Activity 2: Skills Trainings offered by the ICT Association	
	<b>Objective 4: Improve legal and regulatory environment for ICT sector</b>	
	Activity 1: Develop Internet exchange point (planned)	
	Activity 2: Support the GOK to obtain and manage dot KS (.ks) Country Code Top Level Domain Name (ccTLD)	
<b>B. TRANSACTIONAL SECTORS</b>		
<b>1. SECTOR: TOURISM</b>		



	<b>Objective 1: Strengthen market linkages between the local international community and experience providers and create greater awareness of tourism destinations in Kosovo</b>		
	Activity 1: Marketing and promotion of product offers to selected international groups		
	Activity 2: On-line Tourism Marketing Portal		
	Activity 3: Travel Day Fair on April 22nd, 2010		
	<b>Objective 2: Improve quality and variety of tourism experiences available in providers</b>		
	Activity 1: Pilot new experiences with international community		
	Activity 2: Convert pilot tours into regularly scheduled quality product offers		
	Activity 3: International Study Tour in Best Practices		
	<b>Objective 3: Strengthen market linkages with regional tour operators</b>		
	Activity 1: Collaborate with regional tour operators		
<b>2. SECTOR: RECYCLING</b>			
	<b>Objective 1: Assess the viability of a sustainable national program for PET recycling based on the Macedonia model</b>		
	Activity 1: PET Plastic Recycling Feasibility Assessment		
	Activity 2: Implement measures to establish a sustainable nationwide recycling program for PET plastic		
	<b>Objective 2: Expand pilot recycling efforts, establish commercially relevant linkages, and promote organization and cooperation in small-scale private waste collection sector</b>		
	Activity 1: Assistance in establishing linkages between collection companies, sources of supply, and markets and targeted support to small scale collectors and waste processors as needed		
<b>3. SECTOR: ENERGY EFFICIENCY</b>			
	<b>Objective 1: Implement selected interventions recommended by the feasibility study</b>		
	Activity 1: Conduct feasibility study on energy efficiency and implement selected recommendations		
<b>C. INFORMATIONAL SECTORS</b>			
	<b>Objective 1: Research the informational sectors and identify viable opportunities for possible KPEP interventions</b>		

	Activity 1: Continue to monitor and study the Fishing and Aquaculture sector	
	Activity 2: Perform a market survey and identify key apparel designers in Leather and Textiles sector	
	Activity 3: Continue to monitor and study the Printing and Recorded Media sector	
<b>II. COMPONENT 2: BUSINESS SUPPORT SERVICES</b>		
	<b>Objective 1: Support KPEP target sectors through capacity building of technical service providers to address critical issues and constraints of particular relevance to the sector</b>	
	Activity 1: Twin international KPEP consultants with local consultants	
	Activity 2: Strengthen associations in targeted sectors to provide services to members on a fee basis (MOVED)	
	Activity 3: Support participation in trade fairs(MOVED)	
	<b>Objective 2: Build the capacity of the consulting and commercial legal profession to strengthen general consulting and business skills leading to a more broad based and sustainable industry</b>	
	Activity 1: Conduct training on capacity building for business consultants	
	Activity 2: Continue to develop lawyers (Renamed)	
	Activity 3: Conduct training for female business associates	
	Activity 4: Collaborate with TAMBAS	
	Activity 5: Organize an implementers' round-table (NEW)	
	<b>Objective 3: Enhance the internal organizational capacity of associations as well as their ability to offer products and services to their membership, including advocacy on behalf of the industry</b>	
	Activity 1: Association Strategic Management & Leadership Training (Tier 1)	
	Activity 2: Encourage partnerships with international associations in the same sector (Tier 1 & 2)	
	Activity 3: Support the Dairy Associations (Tier 1)	
	Activity 4: Support the ICT Association (Tier 1)	
	Activity 5: Support the Wood Association (Tier 1)	
	Activity 6: Support the Construction Associations (Tier 1)	
	Activity 7: Provide advocacy and legal Support (NEW)	
	Activity 8: Strengthen associations in targeted sectors to provide services to members on a fee basis	
	Activity 9: Support participation in trade fairs	

<b>III. COMPONENT 3: BUSINESS ENABLING ENVIRONMENT</b>		
	<b>Objective 1: Support KPEP target sectors through Demand-Driven achievements in the Business Enabling Environment</b>	
	Activity 1: ICT-ccTLD Kosovo Country Code and Domain Registry	
	Activity 2: ICT-Collaboration with CLDP on ICT Industry/Legal Community Contracting Skills Workshop and Contracts Manual	
	Activity 3: Construction -- Review and Commentary on Draft Construction Law	
	Activity 4: Forestry -- Review and make recommendations on Laws relevant to Forest Certification	
	Activity 5: Agriculture – Review of the beverage Excise Tax Policy	
	Activity 6: Agriculture – AgCLIR Assessment and Roundtable	
	Activity 7: Energy Efficiency -- Review of and commentary on Draft Energy Efficiency Legislation	
	Activity 8: Tourism - Commentary and Recommendations on amendments to draft Law on Tourism.	
	<b>Objective 2: Facilitate improvement in competitiveness indicators through targeted achievements in the Business Enabling Environment</b>	
	Activity 1: Commercial Legal Training for Lawyers and Business people	
	Activity 2: Advocacy Roadmap	
	Activity 3: Presented KPEP to KFOR Legal Advisor Corps (LEGAD) Conference	
	Activity 4: PPP Model Contracts	
	<b>Objective 3: Assist key public and private entities to understand rights and obligations under existing bilateral and regional trade agreements, comply with the terms of such agreements, and be able to assert and defend rights and privileges created by the agreements</b>	
	Activity 1: CEFTA/Trade Best Practices Training	
	Activity 2: Development of a Customs Enquiry point required for further regional/global trade integration.	
	Activity 3: Excise Tax on Non-Alcoholic Beverages	
	<b>Objective 4: Support increased foreign direct investment</b>	
	Activity 1: Capacity Building with Kosovo Diplomatic Corps	
	Activity 2: Promotion of Kosovo as an attractive place to invest: in Turkey, Albania, Austria, US. Includes planning for participation in Turkey Investment Conference.	

	Activity 3: Development of Investment Briefers	
	Activity 4: Participation in The London Investment Conference	
<b>IV. COMPONENT 4: WORKFORCE DEVELOPMENT</b>		
	<b>Objective 1: Identify and address critical workforce development issues in KPEP target sectors</b>	
	Activity 1: Dairy Internship Program	
	Activity 2: Regional Job Fairs	
	a. ICT job fair	
	b. Tourism Job fair	
	Activity 3: Internship Programs	
	a. Wood Industry Internship	
	b. Construction Internship	
	Activity 4: Good Agriculture Practice (GAP) Good Wild Crafting Practice Training	
	Activity 5: Building Materials International Standards Training	
	Activity 6: Heavy Equipment Operators Training Center	
	Activity 7: Develop Curriculum in Furniture Design	
	Activity 8: Skills Trainings offered by the ICT association	
	Activity 9: KEK Training Center Accreditation in welding program (New Activity)	
	<b>Objective 2: Institutionalize training programs within local workforce development organizations to ensure sustainability</b>	
	Activity 1: Furniture Design Curriculum for Technicians	
	Activity 2: Adoption of HACCP course into curriculum at appropriate institutions	
	Activity 3: Develop approach to ICT curriculum from needs identified in skills gap analysis	
	<b>Objective 3: Assist selected workforce development institutions to better meet the needs of industry; ensure that training is more practical and experiential</b>	
	Activity 1: Support Continued and Expanded Cross-Sector Internships	
	Activity 2: Improve coordination and cooperation between workforce development organizations and industry	
	Activity 3: Conduct Feasibility Study for the Development of Municipality-based Youth Employment (YES) Centers	

	<b>Objective 4: Support job creation by increasing the entrepreneurial skills of youth</b>		
	Activity 1: Phase 1 Entrepreneurship-Youth Enterprise Start-Ups		
	Activity 2: Entrepreneurship-SMME expansion support		

**COLOR CODES**

	Progress toward achieving results satisfactory
	Some issues, problems or concerns
	Serious issues; achievement of results in doubt
	Delayed, under review or dropped